

**SUPPLEMENT  
TO  
OFFICIAL STATEMENT DATED JUNE 30, 2009  
RELATING TO**

**\$129,970,000  
The City of St. Louis, Missouri  
Airport Revenue Bonds  
(Lambert-St. Louis International Airport)  
Consisting of**

**\$107,240,000  
Airport Revenue Bonds  
Series 2009A-1**

**\$22,730,000  
Airport Revenue Bonds  
Series 2009A-2**

The information relating to the Optional Redemption provisions of the Series 2009A-1 Bonds, beginning on page 5 of the final Official Statement is incorrect and is hereby amended to read as follows:

***Optional Redemption***

Series 2009A-1 Bonds

The Series 2009A-1 Bonds maturing on July 1, 2024, July 1, 2029 and July 1, 2034, are subject to redemption prior to maturity in the sole discretion of the City from any source, in whole or in part at any time, as determined by the City (and within any maturity as selected by the Trustee in such equitable manner as it shall determine), on and after July 1, 2019, at the Redemption Price of 100% of the principal amount of the Series 2009A-1 Bonds or portions thereof to be redeemed, together with accrued interest to the redemption date.

This supplement should be read in conjunction with the Official Statement. Terms used in this Supplement have the meaning set forth in the Official Statement.

**The date of this Supplement is July 7, 2009**

*In the opinion of Co-Bond Counsel, based upon an analysis of existing law and assuming, among other matters, compliance with certain covenants, interest on the Series 2009 Bonds is excluded from gross income for federal income tax purposes under the Internal Revenue Code of 1986 (the "Code"), except that no opinion is expressed as to the status of interest on any Series 2009 Bond for any period that such Series 2009 Bond is held by a "substantial user" of the facilities financed or refinanced by the Series 2009 Bonds or by a "related person" within the meaning of Section 147(a) of the Code. Interest on the Series 2009 Bonds is not a specific preference item for purposes of the federal individual or corporate alternative minimum taxes, and such interest is not included in adjusted current earnings when calculating corporate alternative minimum taxable income. Co-Bond Counsel are also of the opinion that interest on the Series 2009 Bonds is excluded from Missouri taxable income for the purposes of the personal income tax and corporate income tax imposed by the State of Missouri. See "TAX MATTERS" herein.*

**\$129,970,000**  
**THE CITY OF ST. LOUIS, MISSOURI**  
**Airport Revenue Bonds**  
**(Lambert-St. Louis International Airport)**  
**Consisting of**

**\$107,240,000**  
**Airport Revenue Bonds**  
**Series 2009A-1**

**\$22,730,000**  
**Airport Revenue Bonds**  
**Series 2009A-2**

**Dated: Date of Delivery**

**Due: July 1, as shown on the inside cover**

The City of St. Louis, Missouri (the "City") expects to issue its Airport Revenue Bonds, Series 2009A-1 (Lambert-St. Louis International Airport) (the "Series 2009A-1 Bonds") and its Airport Revenue Bonds, Series 2009A-2 (Lambert-St. Louis International Airport) (the "Series 2009A-2 Bonds" and, together with the Series 2009A-1 Bonds, the "Series 2009 Bonds") under and pursuant to the Indenture of Trust dated as of October 15, 1984, as amended and restated by the Amended and Restated Indenture of Trust dated as of July 1, 2009, as amended and supplemented, including by the Sixteenth Supplemental Indenture of Trust, dated as of July 1, 2009 (collectively, the "Indenture"), between the City and UMB Bank, N.A., as Trustee (the "Trustee").

**The Series 2009 Bonds are limited obligations of the City, payable solely from Revenues, as defined herein, to be derived by the City from the operation of Lambert-St. Louis International Airport (the "Airport") and certain other funds pledged under the Indenture. The Series 2009 Bonds do not constitute an indebtedness of the City within the meaning of any constitutional or statutory limitation or provision, and the taxing power of the City is not pledged to the payment of the Series 2009 Bonds, either as to principal, premium (if any) or interest. The Series 2009 Bonds will be secured on a parity basis with the City's Outstanding Bonds, as defined in the Indenture, and any additional bonds issued under the Indenture (the "Bonds") as more fully described herein.**

The proceeds of the Series 2009 Bonds, together with other available funds, will be used: (i) to provide funds for the purchase, construction, extension and improvement of the Airport; (ii) to fund the reserve account for the Series 2009 Bonds; (iii) to fund capitalized interest on the Series 2009 Bonds; and (iv) to pay costs of issuing the Series 2009 Bonds.

Interest on the Series 2009 Bonds is payable on January 1 and July 1 of each year, commencing January 1, 2010, until maturity or prior redemption. The Series 2009 Bonds are initially issuable only to Cede & Co., the nominee of The Depository Trust Company ("DTC"), pursuant to the book-entry-only system described herein. Beneficial ownership may be acquired in denominations of \$5,000 or any integral multiples thereof. No physical delivery of the Series 2009 Bonds will be made to the purchasers. See "THE SERIES 2009 BONDS - Book-Entry-Only System."

Certain Series 2009 Bonds are subject to mandatory sinking fund redemption and optional redemption prior to maturity as described herein. See "THE SERIES 2009 BONDS - Redemption Provisions."

**See the inside cover page for maturities, principal amounts, interest rates and yields.**

The Series 2009 Bonds are offered when, as and if issued by the City and received by the Underwriters (as defined herein) and subject to prior sale, withdrawal or modification of the offer without notice and the approval of legality of the Series 2009 Bonds by Edwards Angell Palmer & Dodge LLP, New York, New York, and The Stolar Partnership LLP, St. Louis, Missouri, Co-Bond Counsel, and certain other conditions. Certain legal matters will be passed upon for the City by the office of the City Counselor and by Armstrong Teasdale LLP, St. Louis, Missouri, Special Counsel, and for the Underwriters by the Hardwick Law Firm, LLC, Kansas City, Missouri, and Gallop, Johnson & Neuman, LC, St. Louis, Missouri, Co-Underwriters' Counsel. It is expected that the Series 2009 Bonds in book-entry-only form will be available for delivery through the facilities of DTC in New York, New York, on or about July 14, 2009.

**Goldman, Sachs & Co.**

**Stifel Nicolaus & Co., Inc.**

**J.P. Morgan**

**Backstrom, McCarley, Berry & Co, LLC**

**Banc of America Securities LLC**

**Grigsby & Associates**

**Loop Capital Markets, LLC**

**Mesirow Financial**

**M.R. Beal & Company**

**Raymond James & Associates, Inc.**

**Robert W. Baird & Co.**

**SBK Brooks Investment Corporation**

**Stern Brothers & Co.**

**Wachovia Bank, National Association**

*This cover page contains certain information for quick reference only. It is not a summary of this Official Statement. Investors must read the entire Official Statement to obtain information essential to making an informed investment decision, including, but not limited to, matters described in "CERTAIN INVESTMENT CONSIDERATIONS."*

## **MATURITIES, PRINCIPAL AMOUNTS, INTEREST RATES AND YIELDS**

### **SERIES 2009A-1 BONDS**

#### **Serial Bonds**

<u>Maturity (July 1)</u>	<u>Principal Amount</u>	<u>Interest Rate</u>	<u>Yield</u>	<u>CUSIP Numbers<sup>1</sup></u>
2016	\$3,195,000	5.125%	5.550%	791638 ZC6
2017	3,355,000	5.250	5.700	791638 ZD4
2018	3,535,000	5.375	5.850	791638 ZE2
2019	3,720,000	6.000	6.000	791638 ZF9

\$22,295,000 6.125 % Term Bonds Due July 1, 2024 Yield 6.300% CUSIP<sup>1</sup>: 791638 ZG7

\$30,090,000 6.250 % Term Bonds Due July 1, 2029 Yield 6.450% CUSIP<sup>1</sup>: 791638 ZH5

\$41,050,000 6.625 % Term Bonds Due July 1, 2034 Yield 6.700% CUSIP<sup>1</sup>: 791638 ZJ1

### **SERIES 2009A-2 BONDS**

#### **Serial Bonds**

<u>Maturity (July 1)</u>	<u>Principal Amount</u>	<u>Interest Rate</u>	<u>Yield</u>	<u>CUSIP Numbers<sup>1</sup></u>
2010	\$5,955,000	4.000%	2.650%	791638 ZK8
2011	8,940,000	4.000	3.450	791638 ZL6
2012	4,135,000	4.250	4.250	791638 ZM4
2013	1,740,000	5.000	5.000	791638 ZN2
2014	1,960,000	5.250	5.250	791638 ZP7

<sup>1</sup> CUSIP numbers shown above have been assigned by an organization not affiliated with the City. The City was not responsible for the selection of CUSIP numbers nor does it make any representation as to the correctness of such numbers on the Series 2009 Bonds or as indicated herein.

**THE CITY OF ST. LOUIS**  
**ELECTED OFFICIALS**

Francis G. Slay, Mayor  
Darlene Green, Comptroller  
Lewis Reed, President of the Board of Aldermen  
Larry C. Williams, Treasurer

**BOARD OF ALDERMEN**

Charles Quincy Troupe - Ward 1	Matt Villa - Ward 11	Craig Schmid - Ward 20
Dionne Flowers - Ward 2	Fred Heitert - Ward 12	Antonio French - Ward 21
Freeman M. Bosley, Sr.-Ward 3	Alfred J. Wessels, Jr. - Ward 13	Jeffery Boyd - Ward 22
Samuel L. Moore - Ward 4	Stephen Gregali - Ward 14	Joseph A. Vaccaro - Ward 23
April Ford-Griffin - Ward 5	Jennifer Florida - Ward 15	William Waterhouse - Ward 24
Kacie Starr Triplett - Ward 6	Donna Baringer - Ward 16	Shane Cohn - Ward 25
Phyllis Young - Ward 7	Joseph D. Roddy -Ward 17	Frank Williamson - Ward 26
Stephen J. Conway - Ward 8	Terry Kennedy - Ward 18	Gregory J. Carter - Ward 27
Kenneth Ortmann - Ward 9	Marlene Davis - Ward 19	Lyda Krewson - Ward 28
Joseph Vollmer - Ward 10		

**OTHER CITY OFFICIALS**

Ivy Neyland-Pinkston, Deputy Comptroller for Finance and Development  
Susan Kopinski, Airport Deputy Director for Finance and Administration  
Elaine Harris Spearman, Legal Advisor to the Comptroller  
Candice Gordon, Accounting Executive  
Patricia A. Hageman, City Counselor  
Stephen J. Kovac, Deputy City Counselor  
Joseph R. Niemann, Airport Counsel

**CITY AIRPORT COMMISSION**

	Richard E. Hrabko, Director and Chairman	
John Bales	Benjamin A. Lipman	Kathleen Osborn
Robert Clark	Lewis L. McKinney, Jr.	Lewis Reed
William J. Esterline	Robert C. McNutt	Richard A. Sauget
Darlene Green	Anisha Morrell-Charles	John Sonderegger
Terry Kennedy	Thomas R. Nash	Marilyn Teitelbaum
		John Stelzer

**BOARD OF ESTIMATE AND APPORTIONMENT**

Francis G. Slay, Mayor  
Darlene Green, Comptroller  
Lewis Reed, President of the Board of Aldermen

**CO-FINANCIAL ADVISORS**

Siebert Brandford Shank & Co., LLC	Gardner, Underwood & Bacon-Illinois, LLC
Detroit, Michigan	Chicago, Illinois

**INVESTMENT ADVISOR**

Columbia Capital Management LLC  
Mission, Kansas

**AIRPORT CONSULTANT**

Unison Consulting, Inc.  
Chicago, Illinois

This Official Statement is provided in connection with the initial offering and sale of the Series 2009 Bonds referred to herein, and may not be reproduced or used, in whole or in part, for any other purpose. The information contained in this Official Statement has been derived from information provided by the City, the Airport (all as hereinafter defined) and other sources which are believed to be reliable. The Underwriters have provided the following sentence for inclusion in this Official Statement. The Underwriters have reviewed the information in this Official Statement in accordance with, and as a part of, their respective responsibilities to investors under the federal securities laws as applied to the facts and circumstances of this transaction, but the Underwriters do not guarantee the accuracy or completeness of such information.

No dealer, broker, salesman or other person has been authorized by the City, the Airport or the Underwriters to give any information or to make any representations other than those contained in this Official Statement, and, if given or made, such other information or representations should not be relied upon as having been authorized by any of the foregoing. This Official Statement does not constitute an offer to sell or the solicitation of an offer to buy, nor shall there be any sale of the Series 2009 Bonds, by any person in any state in which it is unlawful for such person to make such offer, solicitation or sale.

The information and expressions of opinion herein speak as of their date unless otherwise noted and are subject to change without notice. Neither the delivery of this Official Statement nor any sale made hereunder shall under any circumstances create any implication that there has been no change in the affairs of the City or the Airport since the date hereof (or since the date of any information included herein that is dated other than the date hereof).

The Series 2009 Bonds have not been registered with the United States Securities and Exchange Commission (the "SEC") under the Securities Act of 1933, as amended (the "Securities Act"), in reliance upon the exemption contained in Section 3(a)(2) of such act. The Indenture has not been qualified under the Trust Indenture Act of 1939, as amended, in reliance upon an exemption contained in such act. The registration or qualification of the Series 2009 Bonds in accordance with applicable provisions of securities laws of any states in which the Series 2009 Bonds have been registered or qualified and the exemption from registration or qualification in other states cannot be regarded as a recommendation thereof. Neither these states nor any of their agencies have passed upon the merits of the Series 2009 Bonds or the accuracy or completeness of this Official Statement. Any representation to the contrary may be a criminal offense.

IN CONNECTION WITH THIS OFFERING, THE UNDERWRITERS MAY OVERALLOT OR EFFECT TRANSACTIONS THAT STABILIZE OR MAINTAIN THE MARKET PRICE OF THE SERIES 2009 BONDS AT A LEVEL ABOVE THAT WHICH MIGHT OTHERWISE PREVAIL IN THE OPEN MARKET. SUCH STABILIZING, IF COMMENCED, MAY BE DISCONTINUED AT ANY TIME.

#### CAUTIONARY STATEMENTS REGARDING FORWARD-LOOKING STATEMENTS IN THIS OFFICIAL STATEMENT

Certain statements included in or incorporated by reference in this Official Statement that are not purely historical are "forward-looking statements" within the meaning of the United States Private Securities Litigation Reform Act of 1995, Section 21E of the United States Securities Exchange Act of 1934, as amended (the "Exchange Act"), and Section 27A of the Securities Act and reflect the City's current expectations, hopes, intentions, or strategies regarding the future. Such statements may be identifiable by the terminology used such as "plan," "expect," "estimate," "budget," "intend" or other similar words.

The achievement of certain results or other expectations contained in such forward-looking statements involve known and unknown risks, uncertainties and other factors which may cause actual results, performance or achievements described to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements. Included in such risks and uncertainties are (i) those relating to the possible invalidity of the underlying assumptions and estimates, (ii) possible changes or developments in social, economic, business, industry, market, legal and regulatory circumstances, and (iii) conditions and actions taken or omitted to be taken by third parties, including customers, suppliers, business partners and competitors, and legislative, judicial and other governmental authorities and officials. Assumptions related to the foregoing involve judgments with respect to, among other things, future economic, competitive, and market conditions and future business decisions, all of which are difficult or impossible to predict accurately. For these reasons, there can be no assurance that the forward-looking statements included in this Official Statement will prove to be accurate.

Undue reliance should not be placed on forward-looking statements. All forward-looking statements included in this Official Statement are based on information available to the City on the date hereof, and the City assumes no obligation to update any such forward-looking statements if or when its expectations or events, conditions or circumstances on which such statements are based occur or fail to occur, other than as indicated under the caption "Continuing Disclosure."

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## OFFICIAL STATEMENT

Relating to

**\$129,970,000**

**The City of St. Louis, Missouri  
Airport Revenue Bonds  
(Lambert-St. Louis International Airport)**

Consisting of

**\$107,240,000**

**Airport Revenue Bonds  
Series 2009 A-1**

**\$22,730,000**

**Airport Revenue Bonds  
Series 2009A-2**

## INTRODUCTION

*This introduction is only a brief description and summary of certain information contained in this Official Statement and is qualified in its entirety by reference to the more complete and detailed information contained in the entire Official Statement, including the cover page, inside cover page and appendices (collectively, the “Official Statement”) and the documents summarized or described herein. Unless otherwise defined herein, certain capitalized words and terms used in this Official Statement have the meanings given to them in APPENDIX C - “Summary of Certain Provisions of the Indenture.”*

This Official Statement is furnished in connection with the offering by The City of St. Louis, Missouri (the “City”) of its \$107,240,000 aggregate principal amount of Airport Revenue Bonds, Series 2009A-1 (Lambert-St. Louis International Airport) (the “Series 2009A-1 Bonds”) and \$22,730,000 aggregate principal amount of Airport Revenue Bonds, Series 2009A-2 (Lambert-St. Louis International Airport) (the “Series 2009A-2 Bonds” and, together with the Series 2009A-1 Bonds, the “Series 2009 Bonds”). **Investors must read the entire Official Statement, including the cover page, inside cover page and appendices, to obtain information essential to making an informed investment decision.**

The Series 2009 Bonds are issued under authority of the constitution and laws of the State of Missouri, including Article VI, Section 27(a) and Section 28 of the Missouri Constitution, as amended, Section 108.140 of the Revised Statutes of Missouri, as amended, Ordinance No. 68197, adopted by the Board of Aldermen of the City on December 5, 2008, and signed by the Mayor of the City on December 8, 2008, and Ordinance No. 68358 adopted by the Board of Aldermen of the City on June 5, 2009, and signed by the Mayor on June 8, 2009. The Series 2009 Bonds are issued pursuant to an Indenture of Trust, dated as of October 15, 1984, as amended and restated by the Amended and Restated Indenture of Trust, dated as of July 1, 2009, as amended and supplemented, including by the Sixteenth Supplemental Indenture of Trust, dated as of July 1, 2009 (collectively, the “Indenture”), between the City and UMB Bank, N.A., as Trustee (the “Trustee”). Approval of the Amended and Restated Indenture, dated as of July 1, 2009, will not occur until the required consents of the bond insurers for the Outstanding Bonds have been obtained, which is expected to occur prior to the closing of the Series 2009 Bonds. For a summary of the Indenture, see **APPENDIX C - “Summary of Certain Provisions of the Indenture.”**

The Indenture authorizes the issuance of bonds (the “Bonds”) subject to requirements specified in the Indenture. Prior to the issuance of the Series 2009 Bonds, there are ten series of Bonds outstanding under the Indenture in the aggregate principal amount of \$797,105,000. Such outstanding Bonds, together with the Series 2009 Bonds and any Additional Bonds and Refunding Bonds hereafter

issued and outstanding are referred to herein as the “Outstanding Bonds.” See **“THE SERIES 2009 BONDS - Security and Sources of Payment - Outstanding Bonds, Additional Bonds and Refunding Bonds.”**

The City is a constitutional charter city and political subdivision of the State of Missouri. The Lambert-St. Louis International Airport (the “Airport”) is owned by the City and operated by the Airport Authority of the City (the “Airport Authority”). The Airport Authority was created by ordinance of the Board of Aldermen of the City and consists of the City Airport Commission (the “Commission”), the Airport’s Chief Executive Officer (the “Director of Airports”) and other managers and personnel required to operate the Airport. The Commission is responsible for the planning, development, management and operation of the Airport. See **“AIRPORT MANAGEMENT - Introduction.”**

### **Use of Proceeds**

The proceeds of the Series 2009 Bonds, together with other available funds, will be used: (i) to provide funds for the purchase, construction, extension and improvement of the Airport; (ii) to fund the required reserve account for the Series 2009 Bonds; (iii) to fund capitalized interest on the Series 2009 Bonds; and (iv) to pay costs of issuing the Series 2009 Bonds.

For further information regarding the use of proceeds of, and the plan of finance for, the Series 2009 Bonds, see **“PLAN OF FINANCE.”**

### **Security and Sources of Payment**

The Series 2009 Bonds are limited obligations of the City payable on a parity with the Outstanding Bonds solely from the Revenues derived from the operation of the Airport and certain other funds pledged under the Indenture, subject to the application thereof in accordance with the Indenture, including the Debt Service Stabilization Fund and the Debt Service Reserve Fund, all as more fully described in **“THE SERIES 2009 BONDS - Security and Sources of Payment.”** The principal sources of Revenues are the rates and charges generated under agreements between the City and the airlines serving the Airport and payments under concession contracts at the Airport. See **“CERTAIN AGREEMENTS FOR USE OF THE AIRPORT’S FACILITIES.”**

**The Series 2009 Bonds do not constitute indebtedness of the City within the meaning of any constitutional or statutory limitation or provision, and the taxing power of the City is not pledged to the payment of the Series 2009 Bonds, either as to principal or interest.**

The Series 2009 Bonds will be issued on a parity with the Outstanding Bonds. In addition, the City may issue from time to time subordinate debt, including subordinate commercial paper notes, which are currently authorized in a maximum principal amount outstanding at any time of not to exceed \$125,000,000, which at the time of issuance of the Series 2009 Bonds will be outstanding in the aggregate principal amount of \$1,000,000. The City may issue other subordinate commercial paper notes or other subordinated debt in the future, but has no present intention to do so. See **“THE SERIES 2009 BONDS – Security and Sources of Payment – Subordinated Indebtedness and Special Facilities Indebtedness.”**

### **Additional Bonds and Refunding Bonds**

Pursuant to the Indenture, subject to certain terms and conditions, the City may issue (1) Additional Bonds from time to time to finance capital improvements at the Airport and

(2) Refunding Bonds for the purpose of refunding principal and/or interest components of any Outstanding Bonds, any Subordinated Indebtedness or Special Facilities Indebtedness. Additional Bonds and Refunding Bonds will be equally and ratably secured on a parity with the Series 2009 Bonds and other Outstanding Bonds.

The City may issue Additional Bonds if (i) sufficient bonding authority remains pursuant to the Voter Approval (as defined below) and (ii) the requirements for the issuance of Additional Bonds under the Indenture (the “Additional Bonds Test”) are met. The City may issue Refunding Bonds if (i) the Aggregate Debt Service in each Airport Fiscal Year<sup>1</sup> after the refunding is no greater than the Aggregate Debt Service in each Airport Fiscal Year prior to the refunding or (ii) such Refunding Bonds satisfy certain portions of the Additional Bonds Test. See **“THE SERIES 2009 BONDS - Security and Sources of Payment - Additional Bonds.”**

Pursuant to voter authorization on November 5, 1991, and April 8, 2003 (collectively, the “Voter Approval”), the City is authorized to issue up to \$3.5 billion of bonds to finance capital projects at the Airport. To date, excluding the Series 2009 Bonds, approximately \$924.2 million of Bonds have been issued pursuant to the Voter Approval, and an additional \$129,970,000 million of Series 2009 Bonds are authorized by the Voter Approval, which leaves approximately \$2.45 billion of authorized, but unissued Bonds, approved for Airport purposes. Under state law and the City Charter, Refunding Bonds do not require Voter Approval. The Series 2009B Bonds will be subject to the refunding bonds test described in the Indenture. See **“APPENDIX C – Summary of Certain Provisions of the Indenture – Refunding Bonds.”**

### **Redemption**

Certain Series 2009 Bonds are subject to mandatory sinking fund redemption and optional redemption prior to maturity as described herein under **“THE SERIES 2009 BONDS - Redemption Provisions.”**

### **Financial Feasibility Report**

The City has retained Unison Consulting, Inc. to serve as the airport consultant (the “Airport Consultant”) in connection with the issuance of the Series 2009 Bonds. The Airport Consultant has analyzed the ability of the City to meet its financial obligations related to the Series 2009 Bonds through the Fiscal Year ending June 30, 2015, and has prepared the Financial Feasibility Report (the “Financial Feasibility Report”). The Financial Feasibility Report is based on a number of assumptions and projections. The Financial Feasibility Report of the Airport Consultant has been included in reliance upon the knowledge and experience of the Airport Consultant. As noted in the Financial Feasibility Report, any forecast is subject to uncertainties. Therefore, there are likely to be differences between forecasts and actual results, and those differences may be material. See **“APPENDIX A - Financial Feasibility Report.”**

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<sup>1</sup> The City and the Airport each has a fiscal year ending June 30. Unless otherwise indicated, references to a “Fiscal Year” or “FY” herein mean a fiscal year of the City and the Airport ending June 30. “CY” means a calendar year.

## Certain Investment Considerations

The Series 2009 Bonds may not be suitable for all investors. Prospective purchasers of the Series 2009 Bonds should give careful consideration to the information set forth in this Official Statement including, but not limited to, the matters discussed or referred to under “**CERTAIN INVESTMENT CONSIDERATIONS**.” These considerations include, among others, the following: (1) the level of airline activity at the Airport; (2) events adversely affecting the air transportation system and the Airport; (3) the possible termination or expiration of the Use Agreements and the Operating Agreements (see “**CERTAIN AGREEMENTS FOR USE OF THE AIRPORT’S FACILITIES**”) governing the use of the Airport by certain Signatory Airlines and the rentals, fees and charges required to be paid for such use; (4) the possible effect of an airline bankruptcy on the Use Agreements; and (5) the financial health of the airline industry and certain airlines serving the Airport. See also “**FACTORS AFFECTING THE AIR CARRIER INDUSTRY**,” for a more comprehensive discussion of certain investment considerations.

## Miscellaneous

This Official Statement contains brief descriptions of, among other things, the Indenture, the Series 2009 Bonds, the City, the Airport, the Use Agreements, the Operating Agreements, the Continuing Disclosure Agreement, the audited financial statements of the Airport, the Airport’s capital improvement programs and the Airport Development Program. Such descriptions do not purport to be comprehensive or definitive. All references in this Official Statement to any documents are qualified in their entirety by reference to such documents, and references to the Series 2009 Bonds are qualified in their entirety by reference to the form of the Series 2009 Bonds included in the Sixteenth Supplemental Indenture or the Seventeenth Supplemental Indenture, as applicable. Upon the issuance of the Series 2009 Bonds, the Indenture and the Continuing Disclosure Agreement will be available for inspection at the offices of the Trustee. All other documents referenced above are attached as appendices or available for inspection at the offices of the Airport.

The Financial Feasibility Report is included as **APPENDIX A**. Certain financial statements of the City are included as **APPENDIX B**. Definitions and a summary of certain provisions of the Indenture are included as **APPENDIX C**, and all capitalized terms used in this Official Statement and not otherwise defined in the Official Statement shall have the meanings set forth in **APPENDIX C** or, with respect to terms defined under the Use Agreements and the Operating Agreements, in **APPENDIX D**. A summary of certain provisions of the Use Agreements and the Operating Agreements is included as **APPENDIX D**. A description of the book-entry-only system maintained by DTC is set forth in **APPENDIX E**. The substantially final text of the opinion to be delivered by Co-Bond Counsel, Edwards Angell Palmer & Dodge LLP, New York, New York, and The Stolar Partnership LLP, St. Louis, Missouri, is included as **APPENDIX F**. The City will execute a Continuing Disclosure Agreement (the “Disclosure Agreement”) with UMB Bank, N.A., the form of which is attached as **APPENDIX G**, to assist the Underwriters in complying with the provisions of Rule 15c2-12 (the “Rule”), promulgated by the SEC under the Securities Exchange Act of 1934, as amended, by providing annual financial and operating data and material event notices required by the Rule. See “**CONTINUING DISCLOSURE**” and **APPENDIX G - “Summary of Continuing Disclosure Agreement.”** A description of the PFC Program, as defined herein, is included as **APPENDIX H**.

The information in this Official Statement is subject to change without notice, and neither the delivery of this Official Statement nor any sale made pursuant hereto shall under any circumstances, create an implication that there has been no change in the affairs of the City or the Airport since the

date hereof. This Official Statement is not to be construed as a contract or agreement between the City or the Underwriters and purchasers or owners of any of the Series 2009 Bonds.

## **THE SERIES 2009 BONDS**

The Series 2009 Bonds are being issued under the Indenture. Reference is hereby made to the Indenture in its entirety for the detailed provisions pertaining to the Series 2009 Bonds.

### **General**

The Series 2009 Bonds will be dated their date of original delivery and will mature and bear interest as set forth on the inside cover page of this Official Statement. The Series 2009 Bonds are issued as fully registered bonds in denominations of \$5,000 or integral multiples thereof.

The principal of and redemption premium, if any, on the Series 2009 Bonds will be payable at maturity or upon earlier redemption to the persons in whose name such Series 2009 Bonds are registered upon presentation and surrender of such Series 2009 Bonds at the principal corporate trust office of the Trustee in St. Louis, Missouri. Interest on the Series 2009 Bonds is payable semiannually on January 1 and July 1 of each year, commencing January 1, 2010. Registered owners of Series 2009 Bonds of a principal amount of at least \$1,000,000 may receive payments of interest by electronic transfer upon written request from the registered owner to the Trustee providing relevant instructions not later than five days prior to the Record Date for such interest payment date.

### **Book-Entry-Only System**

The Depository Trust Company (“DTC”), New York, New York, will act as securities depository for the Series 2009 Bonds. The Series 2009 Bonds will be issued as fully registered securities registered in the name of Cede & Co. (DTC’s partnership nominee). One fully registered Bond certificate will be issued for each maturity of the Series 2009 Bonds in the aggregate principal amount of such maturity, and will be deposited with DTC. For additional information regarding DTC and DTC’s book-entry-only system, see **APPENDIX E - “DTC Information.”**

*In reading this Official Statement, it should be understood that while the Series 2009 Bonds are in book-entry-only form, references in other sections of this Official Statement to registered owners should be read to include the person for which the Participant acquires an interest in the Series 2009 Bonds, but (i) all rights of ownership must be exercised through DTC and its book-entry-only system, and (ii) except as described in “APPENDIX E,” notices that are to be given to registered owners under the Indenture shall be given only to DTC.*

### **Redemption Provisions**

The Series 2009 Bonds are subject to optional redemption and mandatory sinking fund redemption as described below.

#### ***Optional Redemption***

##### **Series 2009A-1 Bonds**

The Series 2009A-1 Bonds maturing on July 1, 2020, through July 1, 2027, inclusive, are subject to redemption prior to maturity in the sole discretion of the City from any source, in whole or in

part at any time, as determined by the City (and within any maturity as selected by the Trustee in such equitable manner as it shall determine), on and after July 1, 2019, at the Redemption Price of 100% of the principal amount of the Series 2009A-1 Bonds or portions thereof to be redeemed, together with accrued interest to the redemption date.

#### Series 2009A-2 Bonds

The Series 2009A-2 Bonds maturing on July 1, 2012, and thereafter, are subject to redemption prior to maturity in the sole discretion of the City from any source, in whole or in part at any time, as determined by the City (and within any maturity as selected by the Trustee in such equitable manner as it shall determine), on and after July 1, 2011, at the Redemption Price of 100% of the principal amount of the Series 2009A-2 Bonds or portions thereof to be redeemed, together with accrued interest to the redemption date.

#### ***Mandatory Sinking Fund Redemption***

The Series 2009A-1 Bonds maturing July 1, 2024, are subject to mandatory redemption prior to maturity, upon notice as provided in the Indenture, in part, as selected by lot by the Trustee in such manner as it shall deem fair and appropriate, at par, plus accrued interest to the date of redemption on July 1 of each of the years set forth below, in the principal amounts set forth below:

<b><u>July 1</u></b>	<b><u>Principal Amount</u></b>
2020	\$3,945,000
2021	4,185,000
2022	4,445,000
2023	4,715,000
2024 *	5,005,000

\* Final Maturity

The Series 2009A-1 Bonds maturing July 1, 2029, are subject to mandatory redemption prior to maturity, upon notice as provided in the Indenture, in part, as selected by lot by the Trustee in such manner as it shall deem fair and appropriate, at par, plus accrued interest to the date of redemption on July 1 of each of the years set forth below, in the principal amounts set forth below:

<b><u>July 1</u></b>	<b><u>Principal Amount</u></b>
2025	\$5,310,000
2026	5,645,000
2027	5,995,000
2028	6,370,000
2029 *	6,770,000

\* Final Maturity

The Series 2009A-1 Bonds maturing July 1, 2034, are subject to mandatory redemption prior to maturity, upon notice as provided in the Indenture, in part, as selected by lot by the Trustee in such manner as it shall deem fair and appropriate, at par, plus accrued interest to the date of redemption on July 1 of each of the years set forth below, in the principal amounts set forth below:



<u>July 1</u>	<u>Principal Amount</u>
2030	\$7,190,000
2031	7,670,000
2032	8,175,000
2033	8,720,000
2034 *	9,295,000

\* Final Maturity

With respect to the mandatory sinking fund redemption of Series 2009 Bonds which are subject to mandatory sinking fund redemption, amounts accumulated in the Debt Service Account or the Contingency Fund may be applied for such purpose prior to the 60th day preceding a sinking fund payment date to purchase such Series 2009 Bonds. After the 60th day but on or prior to the 40th day preceding a sinking fund payment date, amounts on deposit in the Debt Service Account or the Contingency Fund may be applied to purchase such Series 2009 Bonds in an amount not exceeding that necessary to complete the retirement of the unsatisfied balance of the payment requirement for such sinking fund payment date. All such purchases of Series 2009 Bonds shall be at prices not exceeding the applicable sinking fund redemption price plus accrued interest.

#### ***Method of Selecting Series 2009 Bonds for Redemption***

If less than all of the Series 2009 Bonds of like maturity shall be called for prior redemption, the particular Series 2009 Bonds of like maturity or portions of Series 2009 Bonds of like maturity to be redeemed shall be selected by lot by the Trustee in such manner as the Trustee in its discretion may deem fair and appropriate; provided, however, that the portion of any Bonds of a denomination of more than \$5,000 to be redeemed shall be in the principal amount of \$5,000 or any integral multiple thereof, and that, in selecting portions of such Series 2009 Bonds for redemption the Trustee shall treat each such Series 2009 Bond as representing that number of Bonds of \$5,000 denomination which is obtained by dividing the principal amount of such Bond to be redeemed in part by \$5,000.

#### ***Notice of Redemption***

Notices of redemption will be mailed by the Trustee, postage prepaid, not less than 30 days prior to any redemption date, to the registered Owners of the Series 2009 Bonds that are to be redeemed. Each such notice will identify the Series 2009 Bonds to be redeemed (and, in the case of Series 2009 Bonds to be redeemed in part only, the principal amounts to be redeemed), will specify the redemption date and the redemption price, and will state that the Series 2009 Bonds to be redeemed will be payable at the principal corporate trust office of the Trustee. If, at the time of mailing of the notice of any optional redemption, there has not been deposited with the Trustee moneys sufficient to redeem all the Series 2009 Bonds called for redemption, the notice may state that it is conditional on the deposit of the redemption moneys with the Trustee not later than the opening of business on the redemption date. Such notice will be of no effect and the redemption price for such optional redemption will not be due and payable unless such moneys are so deposited.

Upon the sending of notice as provided in the Indenture and the deposit with the Trustee of legally available moneys sufficient to pay the principal of and interest accrued to the redemption date on the Series 2009 Bonds called for redemption, the Series 2009 Bonds or portions thereof thus called for redemption will cease to bear interest from and after the redemption date, will no longer be entitled to the benefits provided by the Indenture and will not be deemed to be Outstanding under the provisions of the Indenture.



## Security and Sources of Payment

### *General*

**The Series 2009 Bonds do not constitute an indebtedness of the City within the meaning of any constitutional or statutory limitation or provision, and the taxing power of the City is not pledged to the payment of the Series 2009 Bonds, either as to principal or interest.**

The Series 2009 Bonds are limited obligations of the City, payable solely from and secured, on a parity with the Outstanding Bonds, by a pledge of (i) the proceeds of the sale of the Series 2009 Bonds, (ii) the Revenues, subject to the application thereof to the purposes and on the conditions permitted by the Indenture, including for the payment of Operation and Maintenance Expenses, and (iii) the Funds established by the Indenture. None of the properties of the Airport have been pledged or mortgaged to secure payment on the Bonds, including the Series 2009 Bonds.

### *Revenues*

Under the Indenture, “Revenues” means collectively, the “GARB (General Airport Revenue Bond) Revenues,” the “Pledged PFC Revenues” and any other available moneys deposited in the Revenue Fund. The Indenture defines Net Revenues as Revenues less Operation and Maintenance Expenses.

*GARB Revenues.* The Indenture defines “GARB Revenues” as all revenues collected by the City relating to, from or with respect to its possession, management, supervision, operation and control of the Airport, including all rates, charges, landing fees, rentals, use charges, concession revenues, revenues from the sale of services, supplies or other commodities, any investment income realized from the investment of amounts in the Revenue Fund, and any other amounts deposited into the Revenue Fund. GARB Revenues do not include: (a) any revenue or income from any Special Facilities, except ground rentals thereof or any payments made to the City in lieu of such ground rentals and the revenue or income from Special Facilities which are not pledged to the payment of Special Facilities Indebtedness; (b) any moneys received as grants, appropriations or gifts from the United States of America, the State of Missouri or other sources, the use of which is limited by the grantor or donor to the planning or the construction of capital improvements, including land acquisition, for the Airport, except to the extent any such moneys shall be received as payment for the use of the Airport; (c) any Bond proceeds and other money (including investment earnings) credited to the Construction Fund for the financing of capital improvements to the Airport; (d) any interest earnings or other gain from investment of moneys or securities in any escrow or similar account pledged to the payment of any obligations therein specified in connection with the issuance of Refunding Bonds or the defeasance of any Series of Bonds in accordance with the Indenture; (e) any consideration received by the City upon transfer of the Airport pursuant to the Indenture; (f) interest income on, and any profit realized from, the investment of moneys in (i) the Construction Fund or any other construction fund funded from proceeds of Bonds or (ii) the Debt Service Account or the Debt Service Reserve Account if and to the extent there is any deficiency therein; (g) any passenger facility charge or similar charge levied by or on behalf of the Airport against passengers or cargo, including any income or earnings thereon; (h) insurance proceeds which are not deemed to be GARB Revenues in accordance with generally accepted accounting principles (other than proceeds that provide for lost revenue to the Airport for business interruption or business loss); (i) the proceeds of any condemnation or eminent domain award; (j) the proceeds of any sale of land, buildings or equipment; (k) any money received by or for the account of the Airport from the levy of taxes upon any property in the City; and (l) amounts payable to the City under an Interest Rate Exchange Agreement unless and to the extent designated as GARB Revenues by the City in a Supplemental Indenture.

*Pledged PFC Revenues.* Under the Indenture, a limited portion of the revenues from passenger facility charges (the “PFCs” or the “PFC Revenues”) has been pledged to the payment of Bonds in an amount that correlates to the debt service on Bonds issued to finance or refinance PFC-Eligible Projects. See **APPENDIX H - “The PFC Program”** attached hereto.

Amounts in the Revenue Fund are deposited, on a monthly basis, in specified accounts under the Indenture in the order set forth in the Indenture. For a summary of the application of Revenues under the Indenture, see **APPENDIX C - “Summary of Certain Provisions of the Indenture.”**

The principal sources of Revenues are the rates and charges generated under agreements between the City and the airlines serving the Airport and payments under concession contracts at the Airport. See **“CERTAIN AGREEMENTS FOR USE OF THE AIRPORT’S FACILITIES.”**

#### ***Rate Covenant***

Under the Indenture, the City has covenanted that it will, at all times while any Bonds remain outstanding, establish, fix, prescribe and collect rates, fees, rentals and other charges for the use of the Airport as will be reasonably anticipated to provide in each Airport Fiscal Year an amount so that Revenues will be sufficient to (i) pay Aggregate Debt Service for such Fiscal Year, (ii) provide funds necessary to make the required deposits in and maintain the several funds and accounts established under the Indenture, and (iii) pay or discharge all indebtedness, charges and liens payable out of the Revenues under the Indenture. For further discussion, see **“CERTAIN AGREEMENTS FOR USE OF THE AIRPORT’S FACILITIES.”**

#### ***Debt Service Reserve Account***

The Indenture authorizes the establishment of the 2009 Debt Service Reserve Sub-Account of the Airport Debt Service Reserve Account, which is to be held by the Trustee. The 2009 Debt Service Reserve Sub-Account is to be applied solely for the purposes specified in the Indenture and is pledged to secure the payment of the accrued Aggregate Debt Service on the Series 2009 Bonds. All of the sub-accounts within the Debt Service Reserve Account are held on a parity basis for the equal and ratable benefit of the Holders of all of the Outstanding Bonds. The Indenture requires that the Debt Service Reserve Account be maintained, as of any date of calculation for the then-Outstanding Bonds, unless otherwise provided in a Supplemental Indenture for a particular Series of Bonds, at an amount which equals the least of: (i) 10% of the proceeds of such series of Bonds; (ii) 125% of the average annual debt service on such series of Bonds; or (iii) the maximum annual debt service on such series of Bonds. Deposits into the Debt Service Reserve Account may be satisfied by a deposit of cash or a letter of credit, revolving credit agreement, standby purchase agreement, surety bond, insurance policy or similar obligation, arrangement or instrument issued by a bank, insurance company or other financial institution (the “Reserve Facility”) pursuant to the requirements of the Indenture.

Pursuant to the Sixteenth Supplemental Indenture, the Debt Service Reserve Requirement with respect to the Series 2009 Bonds will be \$12,689,595.07, which is to be satisfied by a deposit from proceeds of the Series 2009 Bonds.

Moneys in the Debt Service Reserve Account are to be withdrawn and deposited in the Debt Service Account each month to the extent that the amount in the Debt Service Account is less than the Accrued Aggregate Debt Service on the Bonds after all required transfers to the Debt Service Account pursuant to the Indenture and any transfers from the Debt Service Stabilization Fund. In the event amounts in the Debt Service Reserve Account shall be less than the Debt Service Reserve Requirement, or if any Reserve Facility is downgraded below the fourth highest rating category (without giving effect to

gradations within a rating category) by any of the Rating Agencies, the Indenture requires that the Debt Service Reserve Account be restored to its requirement from amounts held in the Renewal and Replacement Fund, the Contingency Fund or the Development Fund or by the deposit of a new Reserve Facility rated in one of the three highest rating categories (without giving effect to gradations within a rating category). To the extent that such deficiency has not been made up from amounts in the Renewal and Replacement Fund, the Contingency Fund or the Development Fund, or by such a deposit, such deficiency shall be replenished from the first available Revenues after required deposits into the Operation and Maintenance Fund and the Debt Service Fund pursuant to the Indenture. The Indenture provides that any such deficiency in the Debt Service Reserve Account shall be replenished over various time periods as specified in the Indenture. Moneys in the Debt Service Reserve Account in excess of the requirement may be withdrawn and applied in accordance with the Indenture. See **APPENDIX C - "Summary of Certain Provisions of the Indenture."**

Because of a recalculation of the Debt Service Reserve Requirements for prior series of Bonds, as a result of partial refundings of such series, the City is obligated to increase the amount on deposit in certain Debt Service Reserve Sub-accounts by approximately \$3.4 Million. The City must make additional payments into the Debt Service Reserve Sub-accounts as set forth in the Indenture at least monthly over the next 5 years. It is anticipated that the City will be obligated to make similar deposits of an additional \$2.0 Million over approximately the next 10 years. See **"Appendix C - Summary of Certain Provisions of the Indenture - Debt Service Reserve Requirement."**

#### ***Debt Service Stabilization Fund***

After making all required monthly deposits to or for the Operation and Maintenance Fund, the Debt Service Account, the Debt Service Reserve Account, the Arbitrage Rebate Fund, the payment of any Subordinated Indebtedness, the Renewal and Replacement Fund and the City Sub-Account in the Revenue Fund, the City will deposit the remaining Revenues in the Revenue Fund (i) in Fiscal Years 2009 through 2011, into the Debt Service Stabilization Fund and the Development Fund (or the PFC Account to the extent such Revenues are PFC Revenues) up to specified annual amounts and (ii) in each Fiscal Year thereafter, to the Debt Service Stabilization Fund in an amount sufficient to cause the amount on deposit therein to equal the Debt Service Stabilization Fund Requirement. The Debt Service Stabilization Fund Requirement is an amount equal to 35% of the maximum annual Debt Service on the Bonds due in the then-current or any future Airport Fiscal Year, subject to change as described below. After such deposits, any remaining Revenues will be deposited in the Development Fund, except that unused Pledged PFC Revenues will be deposited in the PFC Account.

Amounts in the Debt Service Stabilization Fund may be withdrawn and used for (1) monthly transfers to the Trustee for deposit to the Debt Service Account to the extent necessary to replenish any deficiency or deficiencies therein, (2) emergency debt service needs with respect to Outstanding Bonds, Subordinated Indebtedness or other indebtedness used for Airport purposes and (3) Airport operational emergencies.

Notwithstanding the foregoing, after the Net Revenues for three consecutive Airport Fiscal Years equals at least 1.60 times the Aggregate Adjusted Debt Service for such Airport Fiscal Years, the Comptroller, upon the receipt of a request of the Airport Commission, may determine to reduce or eliminate the Debt Service Stabilization Fund Requirement and/or eliminate the Debt Service Stabilization Fund.

For additional information regarding the Debt Service Stabilization Fund, see **"APPENDIX C - Summary of Certain Provisions of the Indenture."**

### ***Outstanding Bonds***

The following series of Bonds constitute the Outstanding Bonds under the Indenture prior to the issuance of the Series 2009 Bonds.

<b><u>Title</u></b>	<b><u>Dated Date</u></b>	<b><u>Original Amount of Issue</u></b>	<b><u>Amount Outstanding</u></b>
Airport Revenue Bonds, Series 1997B (AMT)	August 15, 1997	\$159,185,000	\$31,165,000
Airport Revenue Refunding Bonds, Series 1998 (Non-AMT)	December 1, 1998	69,260,000	44,235,000
Airport Revenue Bonds, Airport Development Program Fund, Series 2001A (Non-AMT)	May 1, 2001	435,185,000	18,970,000
Airport Revenue Bonds, Series 2002A (Capital Improvement Program) (Non-AMT)	December 19, 2002	69,195,000	4,125,000
Airport Revenue Bonds, Series 2002B (Capital Improvement Program) (AMT)	December 19, 2002	31,755,000	29,860,000
Airport Revenue Refunding Bonds, Series 2002C (AMT)	December 19, 2002	17,035,000	7,835,000
Airport Revenue Refunding Bonds, Series 2003A (Non-AMT)	February 25, 2003	70,340,000	61,210,000
Airport Revenue Refunding Bonds, Series 2005 (Non-AMT)	July 7, 2005	263,695,000	263,695,000
Airport Revenue Refunding Bonds, Series 2007A (Non-AMT)	January 23, 2007	231,275,000	231,275,000
Airport Revenue Refunding Bonds, Series 2007B (AMT)	April 3, 2007	<u>104,735,000</u>	<u>104,735,000</u>
Total		<u>\$1,451,660,000</u>	<u>\$797,105,000</u>

### ***Additional Bonds***

Additional Bonds, equally and ratably secured under the Indenture on a parity with Outstanding Bonds, including the Series 2009 Bonds, may be authorized and issued by the City upon satisfaction of certain conditions for the purpose of providing funds for costs of construction of Additional Projects, consisting of the extension, improvement, acquisition, construction and enlargement of the Airport.

The City may issue Additional Bonds for an Additional Project only if (i) sufficient bonding authority remains pursuant to the Voter Approval and (ii) the Additional Bonds Test under the Indenture is met, including receipt by the Trustee of certain certificates, reports and information, including the following:

1. An Accountant's Certificate setting forth (a) the Net Revenues of the Airport for any period of 12 consecutive months out of the 18 months preceding the delivery of such Additional Bonds and (b) the Aggregate Adjusted Debt Service for such 12-month period, and demonstrating that for such 12-month period that Net Revenues equaled at least 1.25 times the Aggregate Adjusted Debt Service; and

2. A certificate of an authorized officer of the City demonstrating that, among other things, the estimated Net Revenues of the Airport for each of the three Fiscal Years following the Fiscal Year in which the Additional Project will be completed is at least equal to 1.25 times Aggregate Adjusted Debt Service for each of such three Fiscal Years.

The Indenture contains a covenant which provides that the amount of Pledged PFC Revenues that may be counted for the purpose of meeting the Additional Bonds Test for any Fiscal Year may not exceed 125% of the sum of the outstanding and proposed PFC-eligible debt service for such Fiscal Year.

The Series 2009 Bonds are being issued as Additional Bonds.

### ***Refunding Bonds***

Refunding Bonds, equally and ratably secured under the Indenture on a parity with Outstanding Bonds, including the Series 2009 Bonds, may be authorized and issued by the City upon satisfaction of certain conditions, for the purpose of refunding all or a portion of the principal and/or interest components of Outstanding Bonds, Subordinated Indebtedness (described below) or Special Facilities Indebtedness (described below).

Refunding Bonds may be issued only upon receipt by the Trustee of certain certificates, reports and information, including either of the following: (1) a certificate of an Authorized Officer of the City setting forth (a) the Aggregate Debt Service and the Aggregate Adjusted Debt Service for the then current and each future Fiscal Year to and including the Fiscal Year next preceding the date of the latest maturity of any Bonds of any Series then Outstanding (i) with respect to the Bonds of all Series Outstanding immediately prior to the date of authentication and delivery of such Refunding Bonds and (ii) with respect to the Bonds of all Series to be Outstanding immediately thereafter, and (b) that the Aggregate Debt Service and the Aggregate Adjusted Debt Service set forth for each Fiscal Year pursuant to (ii) above are not greater than the corresponding amounts set forth for such Fiscal Year pursuant to (i) above; or (2) the certificates required by the Indenture evidencing that the Additional Bonds Test has been met, considering, for all purposes of such test, that such Refunding Bonds are Additional Bonds, subject to certain exceptions.

### **Subordinated Indebtedness and Special Facilities Indebtedness**

The Indenture permits the City to issue or refund bonds, notes, commercial paper, certificates, warrants or other evidence of indebtedness payable as to principal and interest from the Revenue Fund and the Net Revenues, subject and subordinate to the deposits and credits required to be made therefrom to the Debt Service Account and the Debt Service Reserve Account, and to secure such bonds, notes, commercial paper, certificates, warrants or other evidences of indebtedness and the payment thereof by a



lien and pledge on the Net Revenues junior and inferior to the lien and pledge on the Net Revenues created under the Indenture for the payment of and security on the Bonds (the “Subordinated Indebtedness”).

At any time after authorization, but prior to the issuance of Subordinated Indebtedness, the City must furnish to the Trustee a certificate of the City with respect to the specific principal amount of Subordinated Indebtedness proposed to be issued (the “Certified Amount”) and that provides as follows: annual estimated Net Revenues available, after payment of Debt Service of the Outstanding Bonds, for each of the three Airport Fiscal Years following the Airport Fiscal Year in which it is estimated that the Airport has beneficial occupancy of the Airport project to be financed or refinanced (in whole or in part) from the proceeds of such Certified Amount, will be at least equal to 1.10 times the sum of (1) estimated debt service on the Certified Amount proposed to be issued, (2) debt service on all outstanding Subordinated Indebtedness, and (3) estimated debt service on any other previously Certified Amounts to the extent that such Certified Amounts are not outstanding but are still authorized and available to be issued.

In May 2004, the City established its commercial paper program to finance capital expenditures at the Airport. Commercial paper is issued under the terms of a Commercial Paper Subordinate Indenture of Trust, dated May 1, 2004, between the City and UMB Bank, N.A., as trustee (the “CP Indenture”) and has been payable from draws under a direct-pay letter of credit (the “LOC”) issued by JPMorgan Chase Bank, N.A. (the “Bank”) an affiliate of J.P. Morgan Securities Inc., one of the underwriters of the Series 2009 Bonds. Reimbursement by the City of draws under the LOC, the rights and remedies of the Bank and related matters are governed by a Reimbursement Agreement, dated as of May 1, 2004, between the City and the Bank (the “Reimbursement Agreement”).

On April 27, 2009, the City issued \$24,000,000 of commercial paper, the proceeds of which were available, if necessary, to fund a portion of the 5-Year CIP, defined below. The \$24,000,000 of commercial paper matured on April 30, 2009. The commercial paper, together with interest accrued thereon, was paid by a draw under the LOC. As permitted by the Reimbursement Agreement, the City did not immediately reimburse the Bank for the draw under the LOC but opted instead to have the draw convert to a loan (the “Loaned Advance”) to the City from the Bank. The Loaned Advance amortizes over a three-year period commencing in October 2009. The Loaned Advance bears interest at the “Base Rate” (the greater of the Bank’s prime rate plus 1.00% or Fed Funds rate plus 1.50%) for the first 180 days and at the Base Rate plus 2.00% thereafter. The City will prepay the Loaned Advance in whole, together with interest accrued thereon (from available funds other than the proceeds of the Series 2009 Bonds) no later than the date of delivery of the Series 2009 Bonds. The City has an additional commercial paper note in the aggregate principal amount of \$1,000,000, which matures in July 2009. The LOC issued by JPMorgan Chase Bank, N.A. expires on May 26, 2010.

The Indenture permits the issuance of obligations other than Bonds by the City or otherwise (“Special Facilities Indebtedness”) for the purpose of financing capital improvements or facilities to be located on Airport property, provided that such Special Facilities Indebtedness is not payable from Revenues. Special Facilities Indebtedness must be payable solely from rentals and other charges derived from a lease, sale or other agreement with the person, firm or corporation utilizing such Special Facilities. Prior to the issuance of the Special Facilities Indebtedness, there must be filed with the Trustee a certificate of the Airport Consultant certifying that (i) the estimated rentals, payments and other charges (including interest earnings on any reserves) to be paid with respect to such Special Facilities will be at least sufficient to pay the principal of and interest on such Special Facilities Indebtedness, together with all costs of operating and maintaining the Special Facilities and all required sinking fund, reserve and other payments; and (ii) the construction and operation of the Special Facilities to be financed will not decrease the Revenues presently projected to be derived from the Airport. The City is required to charge

a fair and reasonable rental for the land upon which any Special Facilities are to be constructed, and such ground rent will be deemed Revenues of the Airport. There currently is no Special Facility Indebtedness outstanding, and the City has no current plans to incur and such Indebtedness.

### **Matters Relating to Enforceability**

The practical realization of any rights upon any default will depend upon the exercise of various remedies specified in the Indenture. These remedies, in certain respects, may require judicial action, which is often subject to discretion and delay. Under existing law, certain of the remedies specified in the Indenture may not be readily available or may be limited. A court may decide not to order the specific performance of the covenants contained in these documents. The security interest in the Revenues granted pursuant to the Indenture may be subordinated to the interest and claims of others in several instances. Examples of cases of subordination or prior claims are described under **“THE SERIES 2009 BONDS - Matters Relating to Security for the Series 2009 Bonds.”**

The application of federal bankruptcy laws may have an adverse effect on the ability of the Trustee and the Bondholders to enforce their claim to the Revenues. Federal bankruptcy law permits adoption of a reorganization plan, even if such plan has not been accepted by the Holders of a majority in aggregate principal amount of the Bonds, if the Bondholders are provided with the benefit of their original lien or the “indubitable equivalent.” In addition, if a bankruptcy court concludes that the Bondholders have “adequate protection,” it may under certain circumstances (a) substitute other security for the security provided by the Indenture for the benefit of the Bondholders and (b) subordinate the lien of the security interest of the Trustee to (1) claims by persons supplying goods and services to the bankrupt after the bankruptcy and (2) the administrative expenses of the bankruptcy proceeding. In the event of the bankruptcy of the City or any of the Signatory Airlines, the amount realized by the Bondholders might depend, among other factors, on the bankruptcy court’s interpretation of various legal doctrines under the then-existing circumstances.

All legal opinions with respect to the enforceability of the Indenture and the Series 2009 Bonds will be expressly subject to the qualification that enforceability thereof may be limited by bankruptcy, reorganization, insolvency, moratorium or other similar laws affecting creditors’ rights generally and by applicable principles of equity.

### **Matters Relating to Security for the Series 2009 Bonds**

The amount of Revenues to be received by the City is subject to a number of factors, including: (a) that Revenues may be commingled with other moneys of the City and, therefore, not sufficiently identifiable to enforce the City’s covenants with respect to any required transfers; (b) statutory liens; (c) rights arising in favor of the United States of America or any agency thereof; (d) constructive trusts, equitable or other rights impressed or conferred by a federal or state court in the exercise of its equitable jurisdiction; (e) federal bankruptcy laws that may affect the enforceability of such security interest or certain federal statutes, regulations and judicial decisions that have cast doubt upon the right of the Trustee, in the event of the City’s default, to collect and retain accounts receivable from the Revenues and other governmental programs; (f) rights of third parties in certain types of Revenues, such as instruments and cash not in the possession of the Trustee; and (g) requirements for filing Uniform Commercial Code continuation statements.

### **Acceleration**

Upon the occurrence of certain events set forth in the Indenture, including a default in the payment of principal of, premium, if any, or interest on the Bonds, the Trustee may, and upon the

written request of 25% of the Bondholders, the Trustee is required to, declare the principal of the Bonds and all accrued interest thereon to be due and payable immediately.

## Remedies

For a description of the events of default under the Indenture and the remedies available to Holders of the Bonds, see **APPENDIX C - “Summary of Certain Provisions of the Indenture - The Indenture – Events of Default and Remedies,” “ — Restrictions on Bondholders’ Actions” and “ – Waiver of Events of Default.”**

## PLAN OF FINANCE

### General

The proceeds of the Series 2009 Bonds, together with other available funds, will be used (i) to provide funds for the purchase, construction, extension and improvement of the Airport; (ii) to fund the Debt Service Reserve Requirement for the Series 2009 Bonds; (iii) to fund capitalized interest on the Series 2009 Bonds; and (iv) to pay costs of issuing the Series 2009 Bonds.

### The 2009 Project

The proceeds of the Series 2009 Bonds will be used primarily for a comprehensive terminal renovation program (the “Airport Experience Program”) designed to restore and modernize the spaces and functions of the main terminal and concourse. The first renovation projects approved for the Airport Experience Program include dome resurfacing and in-bound baggage claim and signage improvements. Construction has begun on new shops and restaurants in the main terminal; additional planned renovations include improvements to the ticketing hall, lower level and main terminal concourses. The current estimated cost of the Airport Experience Program is \$70.6 million, substantially all of which is being financed or refinanced by the Series 2009 Bonds. The balance of the proceeds of the Series 2009 Bonds will be used to provide funds to purchase and construct other capital improvements under the Airport’s 5-Year CIP, defined below. See “**Appendix A – Financial Feasibility Report**” for a more detailed description of capital improvements which are to be financed from proceeds of the Series 2009 Bonds.

## SOURCES AND USES OF FUNDS

The following sets forth the estimated sources and uses of the proceeds of the Series 2009 Bonds and other available funds:

### Sources:

Par Amount	\$129,970,000.00
[Minus Net Original Issue Discount]	<u>(1,540,172.00)</u>
<b>Total:</b>	\$128,429,828.00

### Uses:

Construction Fund Deposit	\$102,569,047.83
Debt Service Reserve Account Deposit	12,689,595.07
Capitalized Interest Account Deposit	10,675,495.60
Costs of Issuance *	<u>2,495,689.50</u>
<b>Total:</b>	\$128,429,828.00

\* Includes underwriters’ discount.



## DEBT SERVICE REQUIREMENTS

The following table summarizes the annual debt service requirements for all Outstanding Bonds and the Series 2009 Bonds.

<b>Fiscal Year Ending June 30</b>	<b>Debt Service on Outstanding Bonds</b>	<b>Series 2009A-1 Bonds Principal &amp; Interest</b>	<b>Series 2009A-2 Bonds Principal &amp; Interest</b>	<b>Total Debt Service</b>
2010	\$64,036,172	\$6,476,218.85	\$6,881,718.92	\$ 77,394,109.77
2011	64,704,559	6,718,843.76	9,663,237.50	81,086,640.26
2012	66,916,692	6,718,843.76	4,500,637.50	78,136,173.26
2013	71,803,661	6,718,843.76	1,929,900.00	80,452,404.76
2014	71,524,311	6,718,843.76	2,062,900.00	80,306,054.76
2015	74,035,149	6,718,843.76		80,753,992.76
2016	65,794,399	9,913,843.76		75,708,242.76
2017	65,832,336	9,910,100.02		75,742,436.02
2018	65,807,247	9,913,962.52		75,721,209.52
2019	56,429,456	9,908,956.26		66,338,412.26
2020	56,437,457	9,910,756.26		66,348,213.26
2021	56,536,888	9,909,125.00		66,446,013.00
2022	56,426,138	9,912,793.76		66,338,931.76
2023	50,129,638	9,910,537.50		60,040,175.50
2024	50,133,888	9,911,743.76		60,045,631.76
2025	50,137,313	9,910,187.52		60,047,500.52
2026	50,125,788	9,913,312.52		60,039,100.52
2027	50,050,550	9,910,500.02		59,961,050.02
2028	39,273,575	9,910,812.52		49,184,387.52
2029	39,268,063	9,912,687.52		49,180,750.52
2030	39,272,575	9,909,562.52		49,182,137.52
2031	39,271,800	9,913,225.00		49,185,025.00
2032	6,895,838	9,910,087.50		16,805,925.50
2033		9,913,493.76		9,913,493.76
2034		<u>9,910,793.76</u>		<u>9,910,793.76</u>
Total	\$1,250,843,493	\$228,386,919.13	\$ 25,038,393.92	\$1,504,268,806.05

## THE CITY OF ST. LOUIS

### General

The City of St. Louis, Missouri, a constitutional charter city not a part of any county, is organized and exists under and pursuant to its Charter and the Constitution and laws of the State of Missouri. The Airport is owned by the City and operated by the Airport Authority, under the supervision of the Airport Commission. The Airport Authority was created by ordinance of the Board of Aldermen of the City.

The City is located on the Mississippi River, the eastern boundary of the State of Missouri, just below its confluence with the Missouri River. The City occupies approximately 61.4 square miles of land, and its area has remained constant since 1876. The City is popularly known as the “Gateway to the

West,” due to its central location and historical role in the nation’s westward expansion. Commemorating this role is the 630-foot stainless steel Gateway Arch, the world’s tallest man-made monument, which is the focal point of the 86-acre Jefferson National Expansion Memorial on the downtown riverfront.

## **Government**

The City’s system of government is provided for by its Charter, which first became effective in 1914 and has subsequently been amended from time to time by the City’s voters.

The Mayor, elected to a four-year term, is the chief executive officer of the City. The Mayor appoints most department heads, municipal court judges and various members of the City’s boards and commissions. The Mayor possesses the executive powers of the City, which are exercised by the boards, commissions, officers and departments of the City under his general supervision and control.

The Comptroller is the City’s chief fiscal officer, and is elected at large to a four-year term. The Comptroller is, by Charter, Chairperson of the Department of Finance for the City and also has broad investigative audit powers over all City departments and agencies. The Comptroller has administrative responsibility for all of the City’s contracts, financial departments and accounting procedures.

The legislative body of the City is the Board of Aldermen. The Board of Aldermen is comprised of 28 Aldermen and a President. One Alderman is elected from each of the City’s 28 wards to serve a four-year term, and Aldermen are elected for one-half of the wards every two years. The President of the Board of Aldermen is elected at large to serve a four-year term. The President is the presiding officer of the Board of Aldermen. The Board of Aldermen may adopt bills or ordinances which the Mayor may either approve or veto. Ordinances may be enacted by the Board of Aldermen over the Mayor’s veto by a two-thirds vote.

The Board of Estimate and Apportionment is primarily responsible for the finances of the City. The Board of Estimate and Apportionment is comprised of the Mayor, the Comptroller and the President of the Board of Aldermen.

While most governmental functions of the City are controlled by the Mayor, the Comptroller, the Board of Estimate and Apportionment and the Board of Aldermen, the appointment of certain officials, including the members of the Board of Police Commissioners and the Board of Election Commissioners, is made by the Governor of the State of Missouri. The Sheriff, Treasurer, Collector of Revenue, License Collector, Circuit Clerk, Circuit Attorney, Public Administrator and Recorder of Deeds of the City are elected independently to four-year terms.

## **THE AIRPORT**

### **General**

The Airport is located in St. Louis County, which is adjacent to the City, approximately 15 miles northwest of the City’s central business district, a drive of approximately 20 to 30 minutes on Interstate Highway 70, and approximately ten miles from the center of population of the St. Louis metropolitan area. The Airport is a “Medium Hub” by Federal Aviation Administration (“FAA”) classification, as it enplaned less than 1% of the total passengers in the United States in 2008.

The Airport was originally established by Major Albert Bond Lambert and other aviation pioneers on a 160-acre site. It was acquired by the City in 1929 and subsequently expanded to slightly more than 3,600 acres.

According to the Airports Council International (“ACI”) worldwide traffic report for CY 2008, the Airport ranked as the 31st busiest airport nationwide in terms of total passengers. Total enplanements at the Airport for Calendar Year 2008 were approximately 7.21 million, representing a decrease of 6.58% from the prior year. Of the total CY 2008 enplanements, 78.6% were originating passengers and 21.4% were connecting passengers. Based on enplanements, American Airlines (“American” or “American Airlines”) is the dominant carrier at the Airport followed by Southwest Airlines (“Southwest” or “Southwest Airlines”). See “**AIRPORT OPERATIONS.**”

On June 11, 2009, American Airlines informed the management of the Airport that it will eliminate eight daily flights from its mainline service effective November 2009 and ten daily flights from its American Eagle regional service effective August 2009. See **Appendix A – “FINANCIAL FEASIBILITY REPORT OF AIRPORT CONSULTANT”** for a discussion on the economic impact of these reductions.

The Airport’s most recent Master Plan Study and Noise Compatibility Study were completed in the mid-1990’s. That process led to many projects including enhancing airfield efficiency, the construction of the East Terminal, and conducting a successful Residential Noise Mitigation Program. As the Airport looks to its future, Airport management want to be sure the Airport is prepared to meet the area’s long-term needs. To accomplish this goal, the Airport is initiating two studies: an Airport Master Plan and a Part 150 Noise Compatibility Study.

The Master Plan Study will produce a well-defined framework to guide future airport development to cost-effectively satisfy regional aviation demand, while considering potential environmental and social impacts. The Noise Compatibility Study will produce a balanced and cost-effective plan to address the existing airport noise exposure on surrounding communities and to mitigate the potential noise exposure in the future.

## **Service Area**

The Airport’s primary service area consists of the St. Louis Metropolitan Statistical Area (the “St. Louis Area”), which includes the City, Crawford, Franklin, Jefferson, Lincoln, St. Charles, St. Louis, Warren and Washington counties in Missouri and Bond, Calhoun, Clinton, Jersey, Macoupin, Madison, Monroe and St. Clair counties in Illinois. The Airport is currently the only major commercial airport in the St. Louis Area. The FAA identifies six reliever airports in the St. Louis Area. They are Spirit of St. Louis Airport in west St. Louis County, Missouri; St. Louis Downtown Parks Airport in Cahokia, Illinois; St. Louis Regional Airport in Bethalto, Illinois; St. Charles Municipal Airport and St. Charles County/Smart Airport, St. Charles County, Missouri; and Creve Coeur Airport in St. Louis County, Missouri. These airports do not have runway lengths sufficient to accommodate large commercial aircraft.

In addition, MidAmerica Airport in St. Clair County, Illinois commenced operations in November 1997. MidAmerica Airport has two runways that can accommodate large jet aircraft and a four-gate passenger terminal that can be expanded to 85 gates. MidAmerica Airport primarily serves as a joint-use facility in connection with nearby Scott Air Force Base. Currently, Allegiant Air offers limited passenger service at MidAmerica Airport to Las Vegas, Nevada; Daytona Beach, Florida, and Orlando, Florida. MidAmerica Airport also serves general aviation clients and is being developed for international cargo operations.

## **Existing Airport Facilities**

Currently, the Airport's airfield includes four runways. Three primary runways may be used by the largest types of commercial aircraft currently in use without restrictions. The remaining runway is sufficient in length to handle safely most types of aircraft now serving the Airport.

In addition to the runways, there are more than 15 miles of 75-foot-wide concrete taxiways and four concrete holding pads. All runways and taxiways are equipped with FAA-approved lights with controllable brightness switching. Approximately 49 acres of concrete apron provide space for aircraft parking, servicing and refueling with an additional 17 acres of concrete apron leased to two fixed-base operators and used by general aviation aircraft.

## **Terminal Facilities**

Terminal facilities include the West Terminal and the East Terminal. The West Terminal contains 1,090,009 usable square feet of building space and is comprised of the Main Terminal and four concourses (Concourses A, B, C and all but three easternmost gates in Concourse D) with 68 aircraft gates in a mixed configuration. In December 2008, the Airport management decided to suspend use of a major portion of Concourse D due to a downturn in passenger traffic. The East Terminal has 329,588 usable square feet of building space with 19 aircraft gates, of which currently nine are leased by Southwest, seven are City gates operated by Airport Terminal Services and the remaining three are unused.

When its Airline Agreement expired on December 31, 2005, American Airlines vacated and released a significant portion of its space in Concourse C and all of its space in Concourse D. Currently, American Airlines and its affiliates are using 21 of the 30 gates in Concourse C and Frontier Airlines is using one and Great Lakes is using two of the 13 gates in Concourse D. Of the gates in other terminal areas, 13 of the 16 gates in Concourse A, one of the 10 gates in Concourse B and 16 of the 19 gates in the East Terminal currently are being used. The remaining gates in each of the Concourses are vacant. The City has undertaken marketing efforts to fill the 34 vacant gates.

The City is undertaking the Airport Experience Program to renovate and update the Airport Terminal facilities. See **"PLAN OF FINANCE – The Series 2009 Project."**

## **Public Parking**

Currently, the Airport has 8,786 public parking spaces available, consisting of 4,883 long-term, 2,910 short-term and 993 intermediate-term public parking spaces. The long-term public parking is comprised of Cypress Lot containing 3,174 spaces with the remainder of the long-term spaces provided in four (4) other long-term lots located at various other locations on airport property. The short-term public parking consists of 2,017 spaces in the newly renovated Main Terminal garage, which is adjacent to the Main Terminal, and 980 spaces in the East Terminal parking garage. The 993 intermediate-term public parking spaces are located in a surface lot immediately behind the parking structure at the Main Terminal. The Main Terminal garage underwent an extensive renovation totaling approximately \$19.8 million that was completed in April 2008.

## **Other Facilities**

The other Airport facilities owned by the City include five airline cargo buildings, eleven shops and service buildings, an office building and offices/hangars for American Airlines, Trans States Airlines, and Signature Flight Support (formerly Midcoast Aviation). The City also owns the vacant

aircraft production facilities and grounds, which are unoccupied and which it is currently pursuing development opportunities. In addition there are other structures at the Airport not owned by the City, including facilities owned by Sabreliner Corporation, St. Louis Air Cargo Services, Inc. and the Missouri Air National Guard.

Federal Express, United Parcel Service (UPS) and various freight forwarders lease space in a privately developed cargo facility situated on a 31-acre site. This complex includes a 100,000 square foot cargo building and a 448,000 square foot aircraft parking apron. UPS owns a 18,000-square-foot cargo warehouse facility adjacent to a 200,000-square-foot aircraft parking apron.

## **CERTAIN AGREEMENTS FOR USE OF THE AIRPORT'S FACILITIES**

### **Airport Use, Operating and Cargo Agreements**

In 2006, the City entered into substantially identical Airport Use and Lease Agreements (individually with respect to each air carrier, a "Use Agreement" and, collectively, the "Use Agreements") or Airline Operating Agreements (individually with respect to each air carrier, an "Operating Agreement" and, collectively, the "Operating Agreements") and, in some instances, Cargo Addenda (individually with respect to each air carrier, a "Cargo Addendum" and, collectively, the "Cargo Addenda") with all major and regional air carriers serving the Airport, thereby replacing the previous airport use, operating and cargo agreements that had been in place since 1965. A technical amendment to the Use Agreements was made in March 2008 which clarified the terms under which the airlines would be eligible for landing fee rate mitigation by setting out the specific amount of landed weight as the basis for rate mitigation.

#### ***Use Agreements***

All air carriers operating at the Airport pursuant to a Use Agreement constitute "Signatory Airlines." The Use Agreements grant the Signatory Airlines the right to use, as applicable, the airfield, the terminal building, including the concourses and related facilities, for the business of air transportation with respect to persons, property, cargo and mail and provide for the payment of rentals, fees and charges by the Signatory Airlines and the application of the landing fee rate mitigation (described below). Each of the Use Agreements expires June 30, 2011, unless earlier terminated for non-performance or default. See **APPENDIX D - "Summary of Certain Provisions of the Use Agreements and the Operating Agreements."**

A Signatory Airline may elect to become a "Participating Airline." A Participating Airline commits to pay a minimum of \$100,000 annually in rents, fees and charges throughout the term of its Use Agreement, and receives, among other things, a limited right to review and approve certain capital improvement projects at the Airport and a right to participate in the Airport's annual rate setting process. In addition, a Participating Airline may designate one or more non-Signatory Airline as its "Affiliate." Affiliates enjoy some, but not all, of the benefits of Signatory Airlines. Affiliates' landed weights are included in the calculation of the target for the landing fee rate mitigation (described below).

Rentals, fees and charges are assessed to the Signatory Airlines to support the primary activities of the Airport - the airfield and the terminal complex (including the West Terminal and the East Terminal), pursuant to formulas set forth in the Use Agreements. The Use Agreements permit the City to adjust rentals, fees and charges for each rate period to reflect overpayments and underpayments that occurred during the preceding rate period, and, to the extent necessary, replenish reasonable reserves for uncollected revenues.

The Use Agreements provide two mechanisms for the Airport to undertake and recover costs of certain capital improvement projects without having to seek further review by and approval of the Participating Airlines. First, the Use Agreements include a list of capital improvement projects, estimated to cost approximately \$153 million, which are deemed “pre-approved” by the Signatory Airlines and are included in the Airport’s 5-year capital improvement program. See “**CAPITAL IMPROVEMENT PROGRAMS AT THE AIRPORT.**” In addition, if a project that was not pre-approved by the Signatory Airlines meets certain requirements provided in the Use Agreements, the City may undertake and recover costs attributable to such a project without obtaining approval from the Participating Airlines. For more information, see **APPENDIX D - “Summary of Certain Provisions of the Use Agreements and the Operating Agreements.”**

Any capital improvement project that is not excluded from the review because it is not pre-approved and it does not meet the exception requirements provided in the Use Agreements, and any pre-approved capital improvement project whose actual cost is 110% greater than the pre-approved cost provided in the Use Agreements, must be presented by the City to the Participating Airlines for their review. Once a project has been presented to the Participating Airlines for review, the City may proceed with the project and include the amortization of net costs in the rate base unless a majority-interest (“MII”) of the Participating Airlines disapproves.

MII is defined as 66.66% of the Participating Airlines operating at the affected cost center that, within the immediately preceding Fiscal Year, paid no less than 66.66% of the rents, fees and charges applicable to that cost center. The City has received either an MII approval pursuant to the previous airline use agreements or acquiescence by inclusion in the rate formula set forth in the current Use Agreements for substantially all of its current Airport improvement programs. For additional information regarding the Airport’s current Airport improvement programs, see “**CAPITAL IMPROVEMENT PROGRAMS AT THE AIRPORT.**”

### ***Operating Agreements***

Air carriers may elect to operate at the Airport under an Operating Agreement, in which case they constitute “non-Signatory Airlines.” The City receives various rentals, fees and charges from non-Signatory Airlines. Air carriers operating at the Airport pursuant to an Operating Agreement are subject to the same landing fee rate as the Signatory Airlines, and are entitled to the benefit from any landing fee rate mitigation. In addition, the City charges non-Signatory Airlines who request space in one of the terminal buildings a space use fee equal to 125% of the terminal rental rate payable by the Signatory Airlines (unless the airline is designated as an Affiliate by a Participating Airline, in which case its space use fee is calculated using the same terminal rental rate applicable to the Signatory Airlines). Each Operating Agreement is a month-to-month operating permit that may be terminated by either party by providing a 30-day written notice.

### ***Cargo Addenda***

Cargo carriers may elect to operate under either a Use Agreement or an Operating Agreement, but must execute the applicable Cargo Addendum which, among other things, prohibits cargo air carriers from operating from the Airport’s passenger terminal buildings.

The enforcement of the Use Agreements, the Operating Agreements, the Cargo Addenda and any other agreements and leases between the City and users of the Airport may be limited by, and is subject to, the provisions of the federal bankruptcy laws, as now or hereafter enacted, and to other laws or equitable principles that may affect the enforcement of creditors’ rights. No assurance is given that a



bankruptcy filing by or against any air carrier will not impair or result in delay in enforcing the City's legal, equitable and contractual rights with respect to the Airport.

***For additional information regarding air carrier rates and charges, including the methodology and requirements for calculating landing fees and rents and other fees and for obtaining MII approval, see APPENDIX D - "Summary of Certain Provisions of the Use Agreements and the Operating Agreements."***

### ***Landing Fee Rate Mitigation***

A significant reduction in air traffic activity at the Airport — caused in large part by the reduction in American Airlines' operations in November 2003 and cost increases resulting from the opening of the new runway in April 2006 — resulted in a substantial reduction in total aircraft landed weight and placed considerable upward pressure on landing fee rates. In order to mitigate future increases in landing fee rates and to provide a more cost-effective operating environment for airlines serving the Airport, in 2007 the City adopted a Landing Fee Rate Mitigation Program (the "Rate Mitigation Program") pursuant to which it committed to provide, subject to the availability of funds and annual appropriations by the Board of Aldermen, up to \$40 million from internal resources of the Airport, including funds from the Contingency Fund under the Indenture, for landing fee rate mitigation over the term of the Use Agreements. The City provided \$6,000,000 under the Rate Mitigation Program for FY 2007 and \$5,000,000 for FY 2008. Based on current forecasts, the City does not expect to provide any additional funds under this Program.

### ***Federal Policy on Air Carrier Rates and Charges***

The Federal Aviation Administration Authorization Act of 1994 requires airport fees to be "reasonable" and provides a mechanism by which the Secretary of Transportation can review rates and charges complaints brought by air carriers. The provisions of such Act do not apply to fees imposed pursuant to a written agreement with air carriers using airport facilities. There is currently no dispute between the City and any of the air carriers operating at the Airport over any existing or proposed rates and charges. There is no assurance, however, that such disputes will not arise in the future.

### ***Airport Maintenance***

Under the terms of both the Use Agreements and the Operating Agreements, the City is required to maintain and keep in good repair all of the public areas and facilities of the Airport, including the structures associated with the terminal buildings, the utility systems within the Airport and all other common use systems owned and operated by the City. For their part, the Signatory Airlines and the non-Signatory Airlines are individually required to repair and maintain in good condition the premises leased or assigned to each of them, including that portion of the utility systems serving each of their exclusive use facilities.

### **Concession Agreements**

The City has agreements to lease space at the Airport to certain concessionaires who provide food, beverages, retail, newspaper and other items to users of the Airport. The City has entered into management contracts with Host International, Inc. for the food and beverage operations, with The Paradies Shops, Inc. ("Paradies") for retail operations at the Airport, and with InMotion Entertainment for specialty retail at the Airport. The contract with Host expires on January 31, 2020, the contract with Paradies expires January 31, 2013, and the contract with InMotion Entertainment expires November 30, 2015. Each of these concessionaires is obligated to pay a fixed minimum annual guarantee ("MAG") to

the City. Terminal concession revenue represented 21% of total concession revenue and 6% of total operating revenue in the 2008 Fiscal Year.

The City also has a management contract with Central Parking Systems of Missouri Inc., (“Central”) for the operation of the parking facilities at the Airport. The contract commenced on September 1, 2008, and ends August 31, 2011. Under the contract, the City retains all receipts from the parking operations and periodically reimburses Central for expenses, in addition to paying Central an annual fee for its services. Parking revenue represented 49% of total concession revenue and 14% of total operating revenue in the 2008 Fiscal Year.

The City has contracts with Avis, Alamo/National, Budget, Dollar, Enterprise, Hertz and Thrifty for the operation of the rental car facilities at the Airport, all of which expire on December 31, 2009. The City receives the greater of a MAG payment or 10% of gross receipts from each rental car operator. Rental car revenue represented 30% of total concession revenue and 9% of total operating revenue in the 2008 Fiscal Year.

## **AIRPORT OPERATIONS**

### **Air Carrier Service**

Listed below are air carriers currently serving the Airport (May 2009):

<b>Major Air Carriers</b>	<b>Regional Air Carriers</b>	<b>Air Cargo Carriers</b>
Air Tran <sup>2</sup>	Air Canada Jazz <sup>4</sup>	ABX <sup>1</sup>
American <sup>2</sup>	Air Wisconsin <sup>3</sup> (US Airways)	Air Transport International
Delta <sup>2</sup>	American Eagle <sup>3</sup> (American)	Capital Cargo <sup>4</sup>
Frontier <sup>2</sup>	Atlantic Southeast <sup>3</sup> (Delta)	Federal Express*
Southwest <sup>2</sup>	Chautauqua <sup>2</sup>	United Parcel Service <sup>2</sup>
United <sup>2</sup>	Comair <sup>3</sup> (Delta)	
US Airways <sup>2</sup>	Expressjet <sup>2</sup> (d/b/a Continental Express)	
USA 3000 <sup>4</sup>	Go Jet <sup>3</sup> (United)	
	Great Lakes <sup>2</sup>	
	Mesa <sup>3</sup> (US Airways)	
	PSA <sup>4</sup>	
	Republic <sup>4</sup>	
	Shuttle America <sup>3</sup> (Delta)	
	Skywest <sup>3</sup> (Delta, United)	
	Trans States <sup>2</sup>	

<sup>1</sup> Signatory Carrier (holds an Airport Use and Lease Agreement).

<sup>2</sup> Signatory Carrier that has elected to be a Participating Airline.

<sup>3</sup> Non-Signatory Airline that is a designated Affiliate of a Participating Airline (The related Participating Airline is parenthetically noted).

<sup>4</sup> Non-Signatory Airline that is not a designated Affiliate.

\*Federal Express currently does not have an agreement with the Airport.

### **Airline Market Shares**

The following table shows enplanements and market share by airline from CY 2004 through CY 2008.



**LAMBERT-ST. LOUIS INTERNATIONAL AIRPORT**  
**AIRLINE MARKET SHARE**  
**CY 2004 – 2008**

Airline	Enplanements					Market Share				
	2004	2005	2006	2007	2008	2004	2005	2006	2007	2008
<b>Air Carrier</b>										
America West	123,939	113,227	118,418	89,271	-	1.8%	1.5%	1.6%	1.2%	-
American	2,107,436	2,536,041	2,656,712	2,636,712	2,241,182	31.4%	34.4%	34.9%	34.2%	31.1%
American Trans Air	-	-	-	98,688	131,221	-	-	-	1.3%	1.8%
Continental	43,154	399	0	-	56	0.6%	0.0%	0.0%	-	-
Delta	229,355	169,932	154,900	171,081	159,721	3.4%	2.3%	2.0%	2.2%	2.2%
Frontier	97,028	99,314	110,658	133,266	117,686	1.4%	1.3%	1.5%	1.7%	1.6%
Northwest	338,006	279,275	237,420	243,208	225,213	5.0%	3.8%	3.1%	3.2%	3.1%
Southwest	1,584,019	1,688,940	1,866,811	1,960,941	2,104,372	23.6%	22.9%	24.8%	25.4%	29.2%
United	228,406	130,270	93,751	102,609	66,710	3.4%	1.8%	1.2%	1.3%	0.9%
US Airways	25,701	64,542	430	56,409	148,197	0.4%	0.9%	0.0%	0.7%	2.1%
USA 3000	3,336	74,495	79,811	86,299	86,941	0.0%	1.0%	1.0%	1.1%	1.2%
<b>Subtotal-Air Carrier</b>	<b>4,780,380</b>	<b>5,156,435</b>	<b>5,338,911</b>	<b>5,577,995</b>	<b>5,281,299</b>	<b>71.3%</b>	<b>70.0%</b>	<b>70.2%</b>	<b>72.3%</b>	<b>73.3%</b>
<b>Commuter</b>										
Air Canada	17,647	19,885	20,261	-	-	0.3%	0.3%	0.3%	-	-
Jazz Air	-	-	13,854	20,959	17,089	-	-	-	0.3%	0.2%
AA Connection/American Eagle	29,430	65,234	44,700	31,314	21,795	0.4%	0.9%	0.6%	0.4%	0.3%
AA Connection/Chautauqua	401,248	420,598	475,580	469,301	445,215	6.0%	5.7%	6.3%	6.1%	6.2%
AA Connection/RegionsAir	63,612	68,728	67,493	10,220	-	0.9%	0.9%	0.9%	0.1%	-
AA Connection/Trans States	668,337	717,520	674,784	646,763	445,330	10.0%	9.7%	8.9%	8.4%	6.2%
Continental Express/Chautauqua	-	-	-	64,541	83,786	-	-	-	0.8%	1.2%
Continental Express/Expressjet	149,617	190,223	196,899	130,644	102,896	2.2%	2.6%	2.6%	1.7%	1.4%
Great Lakes	-	-	-	1,788	10,816	-	-	-	0.0%	0.2%
Delta Connection/Atlantic Coast	5,506	-	-	-	-	0.1%	0.0%	0.0%	-	-
Delta Connection/Atlantic Southeast	-	93,610	69,686	31,166	59,425	0.0%	1.3%	1.3%	0.4%	0.8%
Delta Connection/Chautauqua	-	-	22,913	58,712	68,731	-	-	0.0%	0.8%	1.0%
Delta Connection/Comair	135,909	124,487	68,594	44,042	26,693	2.0%	1.7%	0.9%	0.6%	0.4%
Delta Connection/Skywest	-	-	11,615	40,262	45,364	-	-	0.2%	0.5%	0.6%
Midwest Connect/Skyway	7,929	8,708	10,389	13,106	1,874	0.1%	0.1%	0.1%	0.2%	0.0%
Northwest Airlink/Mesaba	44,571	42,096	25,522	7,863	42,009	0.7%	0.6%	0.3%	0.1%	0.6%
Northwest Express/Pinnacle	5,441	44,695	67,565	71,891	57,884	0.1%	0.6%	0.9%	0.9%	0.8%
United Express/Go Jet	-	18,395	119,952	125,645	116,892	0.0%	0.2%	1.6%	1.6%	1.6%
United Express/Mesa	30,401	15,065	-	-	-	0.5%	0.2%	0.0%	-	-
United Express/Skywest	16,931	41,844	12,119	-	-	0.3%	0.6%	0.2%	-	-
United Express/Trans States	87,211	109,647	96,645	101,028	144,848	1.3%	1.5%	1.3%	1.3%	2.0%
US Airways Express/Air Wisconsin	-	18,246	44,278	26,035	21,690	0.0%	0.2%	0.6%	0.3%	0.3%
US Airways Express/Chautauqua	3,069	1,167	1,687	-	-	0.0%	0.0%	0.0%	-	-
US Airways Express/Mesa	76,842	52,952	81,743	-	-	1.1%	0.7%	1.1%	0.8%	0.7%
US Airways Express/PSA	23,550	25,455	22,501	20,326	21,072	-	-	0.3%	0.3%	0.3%
US Airways Express/Republic	-	-	7,273	43,799	67,761	0.4%	0.3%	0.1%	0.6%	0.9%
US Airways Express/Trans States	40,402	38,804	38,298	39,553	27,389	0.6%	0.5%	0.5%	0.5%	0.4%
US Airways Express	-	-	-	-	-	0.0%	0.0%	0.0%	-	-
<b>Subtotal-Commuter</b>	<b>1,807,653</b>	<b>2,117,359</b>	<b>2,181,774</b>	<b>2,066,373</b>	<b>1,897,761</b>	<b>26.9%</b>	<b>28.8%</b>	<b>28.7%</b>	<b>26.8%</b>	<b>26.3%</b>
<b>Subtotal-Charter</b>	<b>119,687</b>	<b>89,124</b>	<b>84,213</b>	<b>70,972</b>	<b>28,830</b>	<b>1.8%</b>	<b>1.2%</b>	<b>1.1%</b>	<b>0.9%</b>	<b>0.4%</b>
<b>Total Enplanements</b>	<b>6,707,720</b>	<b>7,362,918</b>	<b>7,604,898</b>	<b>7,715,340</b>	<b>7,207,890</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100%</b>	<b>100.0%</b>	<b>100.0%</b>

Source: Airport Management

Together, American Airlines and its American Connection operators accounted for the largest share of enplanements, but their combined share declined from 73.0 percent in CY 2003 to 43.8 percent in CY 2008. The decline in American Airlines' enplanement share is the direct result of the reduction in mainline operations by American Airlines in November 2003. For the last five years, the number of annual enplanements and corresponding shares of American Airlines and its American Connection operators are as follows:

<b>Enplanements</b>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>
American Airlines	2,107,436	2,536,041	2,656,712	2,636,223	2,241,182
American Connection	1,162,627	1,272,080	1,262,557	1,157,598	912,340
Total*	3,270,063	3,808,121	3,919,269	3,793,821	3,153,523

<b>Market Share</b>					
American Airlines	31.4%	34.4%	34.9%	34.2%	31.1%
American Connection	17.3%	17.3%	16.7%	15.0%	12.7%
Total*	48.8%	51.7%	51.6%	49.2%	43.8%

\* At their approximate peak in 2002, American Airlines and its affiliates accounted for 9,959,750 total enplanements with an approximately 77.5% market share.

Source: Airport Management

On June 11, 2009, American Airlines informed the management of the Airport that it will eliminate eight daily flights from its mainline service effective November 2009 and ten daily flights from its American Eagle regional service effective August 2009. These eliminations are expected to reduce enplanements beginning in FY 2009. See **APPENDIX A – Financial Feasibility Report of Airport Consultant.**

Southwest Airlines has the second largest share of enplanements, which increased from 23.6 percent in CY 2004 to 29.2 percent in CY 2008.

As a group, mainline air carriers accounted for the majority of enplanements; their combined share increased from 71.3 percent in CY 2004 to 73.3 percent in CY 2008. Frontier Airlines began service at the Airport in CY 2002, USA 3000 in CY 2004 and American Trans States in CY 2007.

Prior to the terrorist events that occurred on September 11, 2001 (the “Events of September 11, 2001”), mainline air carriers had been increasingly using regional airlines to serve short-haul and low-density markets. The reduction in air travel demand, the difficult financial condition of airlines following the Events of September 11, 2001, and the relaxation of scope clauses<sup>1</sup> accelerated the transfer of routes now including longer-haul routes from mainline to regional operators. As a result, the market share of regional operators has increased significantly in recent years. At the Airport, the combined market share of regional operators decreased from 28.7 percent in CY 2004 to 26.7 percent in CY 2008. The following regional airlines began service at the Airport in the last five years: Jazz Air; Chautauqua for Continental Express; Great Lakes; ASA, Chautauqua, Freedom, Pinnacle, Shuttle America and Skywest for Delta Connection; Skywest for Midwest Connect; Air Wisconsin, Air Midwest, Go Jet, and Trans States for United Express; and Air Wisconsin and Republic for US Airways Express. The following regional airlines have ceased operations at the Airport during the same period: Air Canada; RegionsAir for AA Connection; Atlantic Coast and Freedom for Delta Connection; Air Midwest, Air Wisconsin, Skywest and Mesa for United Express; and Chautauqua for US Airways Express.

<sup>1</sup> Scope clauses are agreements between mainline carriers and their regional affiliates that define the size and number of regional jets an affiliate may have and/or the amount of flying that the affiliate can undertake. Source: FAA Aerospace Forecasts, Fiscal Years 2005-2015, March 2005, page IV-1.

Jazz Air is the only foreign-flag carrier that serves the Airport. Jazz Air commenced operations at the Airport in May 2006 and had a market share of 0.2 percent in CY 2008.

### Passenger Enplanements

Passenger enplanements at the Airport are categorized as either origination and destination (“O&D”) activity or connecting activity. The following table shows the O&D activity and connecting activity for the period from 1999 through 2008. O&D activity is influenced by local market factors and tends to track economic and demographic trends. Connecting activity is determined primarily by airlines’ network strategies.

#### LAMBERT-ST. LOUIS INTERNATIONAL AIRPORT O&D AND CONNECTING ENPLANEMENTS 1999-2008

Year	O&D <sup>1</sup>		Connecting		Total Enplanements
	Actual	Share	Actual	Share	
CY 1999	7,127,141	47.2%	7,965,840	52.8%	15,092,981
2000	7,260,756	47.5%	8,040,822	52.5%	15,301,578
2001	6,323,229	47.3%	7,042,280	52.7%	13,365,509
2002	5,750,948	44.8%	7,095,086	55.2%	12,846,034
2003	5,229,015	51.3%	4,967,507	48.7%	10,196,522
2004	5,263,363	78.5%	1,444,357	21.5%	6,707,720
2005	5,616,263	76.3%	1,746,655	23.7%	7,362,918
2006	5,749,683	75.6%	1,855,260	24.4%	7,604,898
2007	5,854,885	75.9%	1,860,455	24.1%	7,715,340
2008	5,663,666	78.6%	1,544,224	21.4%	7,207,890
Jan-Mar 2008	1,318,486	78.1%	370,357	21.9%	1,688,843
Jan-Mar 2009	1,188,363	83.3%	238,371	16.7%	1,426,734
FY 1999	7,156,835	49.1%	7,422,499	50.9%	14,579,334
2000	7,193,492	47.1%	8,065,665	52.9%	15,259,157
2001	7,034,255	46.9%	7,949,293	53.1%	14,983,548
2002	5,780,267	45.8%	6,839,748	54.2%	12,620,015
2003	5,511,052	46.6%	6,317,177	53.4%	11,828,229
2004	5,159,761	64.4%	2,857,858	35.6%	8,017,619
2005	5,518,897	78.3%	1,529,462	21.7%	7,048,359
2006	5,724,298	75.1%	1,898,886	24.9%	7,623,184
2007	5,740,674	76.1%	1,802,595	23.9%	7,543,269
2008	5,848,852	76.8%	1,762,267	23.2%	7,611,119
<b>Average Share</b>					
CY 1999-2008	-	62.3%	-	37.7%	-
<b>Annual Average Growth Rate</b>					
CY 1999-2001	-5.8%		-6.0%		-5.9%
CY 2002-2005	-0.8%		-37.3%		-16.9%
CY 2006-2008	-0.8%		-8.8%		-2.6%
Jan-Mar 2009	-9.9%		35.6%		-15.5%
FY 1999-2002	-6.3%		-3.9%		-5.1%
FY 2002-2007	3.2%		-11.4%		-1.3%

Source: Airport Management Records

The significant decline in connecting traffic at the Airport that occurred in 2004 was largely due to American Airlines' reduction of the number of flights to and from the Airport in November 2003 by more than half (from 387 daily departures in November 2002 to 193 daily departures in November 2003).

The current recession<sup>1</sup> has impacted almost all aspects of Airport operations, including both cargo and passenger service. Airlines have responded to the weaker travel demand by cutting flights and seats system-wide. Commercial landed weight declined by 11.7 percent in the first three months of 2009. American Airlines' landed weight decreased by 15.2 percent, Southwest's landed weight decreased by 1.4 percent and regional aircraft landed weight dropped 14.0 percent during the first quarter of 2009.

For the month of May 2009, American Airlines has 74 scheduled daily departures from the Airport to 36 domestic destinations, of which 28 daily departures are by its mainline service and 46 by its American Connection regional affiliates. For the month of May 2009, American Airlines has no scheduled direct flights from the Airport to any international destinations.

American Airlines has announced that it will cut one or more flights to seven of its destinations in November 2009 and that its American Eagle regional service will cut one or more flights to five of its destinations in August 2009. These cuts will reduce the number of destinations served by American Airlines and American Eagle by seven, three of which will have no non-stop service from the Airport by other airlines. See "**APPENDIX A – Financial Feasibility Report of Airport Consultant**" herein.

For the month of May 2009, Southwest Airlines has 58 scheduled daily departures from the Airport to 35 domestic destinations, of which 58 daily departures are by its mainline service. For the month of May 2009, Southwest has no scheduled direct flights from the Airport to any international destinations.

## **Risk Management**

The Airport is exposed to various risks of loss related to torts, such as theft of, damage to, and destruction of assets, errors and omissions, injuries to employees and natural disasters. The Airport participates in the Public Facilities Protection Corporation ("PFPC"), an internal service fund of the City of St Louis, Missouri. The purpose of PFPC is to account for risks in which the City is self-insured, which are primarily workers' compensation, certain general liability claims and various other claims and legal actions. All self-insured claims, liabilities and payments are recorded in PFPC. The Airport reimburses PFPC for workers' compensation claims on a cost-reimbursement basis.

The Airport purchases commercial insurance for risks that are significant and which are not covered by the City's self-insurance program. These coverages include commercial liability, property damage, business interruption, public officials' liability, employment practices liability, employee dishonesty, business auto, and insurance on the fine arts collection.

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<sup>1</sup> According to a report from the National Bureau for Economic Research, a leading independent research organization, issued in December 2008, the United States has been in a recession since December 2007.

After the Events of September 11, 2001, terrorism coverage was excluded from the Airport's commercial liability, property damage and business interruption coverages. On November 26, 2002, President Bush signed into law the "terror insurance bill" to shield the insurance industry from catastrophic costs of future terrorist attacks. The passage of this law improved the ability of the Airport to obtain terrorism coverage. The Airport has procured property, automobile and public official insurance which includes coverage for terrorist events; however, policies which include terrorist coverage for commercial liability remain unavailable on reasonable financial terms and with meaningful coverage amounts.

The Airport has a commercial liability insurance policy with a limit of \$100 million and an excess liability policy with a limit of \$250 million. The Airport's property insurance has a limit of \$865 million. The Airport also has an automobile policy and an excess automobile policy with total coverage of \$5 million, and public official and employee liability coverage of \$7 million. All policies provide coverage through October 1, 2009.

In addition to the coverage stated above, the City created a Rolling Owner Controlled Insurance Program ("ROCIP") to provide workers' compensation, and general and special liability insurance to protect all enrolled contractors and their subcontractors doing business with the Airport. The ROCIP is designed to reduce conflicts among contractors and insurance providers and increase liability protection for all participants.

## **AIRPORT MANAGEMENT**

### **Introduction**

The Airport is owned by the City and operated by the Airport Authority. The Airport Authority was created by the City's Board of Aldermen by an ordinance adopted in 1968 and consists of the Airport Commission, the Airport Authority's Chief Executive Officer and other managers and personnel required to operate the Airport. The Chief Executive Officer of the Airport Authority is the Director of Airports who is appointed by the Mayor for a term that runs concurrently with the Mayor's term of office or until his or her successor is appointed.

The Airport Commission is responsible for the planning, development, management and operation of the Airport. The Airport Commission currently consists of the Director of Airports, who serves as Chairman of the Airport Commission, the Comptroller of the City, the President of the Board of Aldermen, the Chairman of the Transportation and Commerce Committee of the Board of Aldermen, six members appointed by the Mayor, five members appointed by the St. Louis County Executive, one member appointed by St. Charles County, Missouri, and one member appointed by St. Clair County, Illinois. The present members of the Airport Commission are set forth in the front portion of this Official Statement.

### **Airport Staff**

The Airport Commission and the Director of Airports have an Airport staff to aid them in carrying out their responsibilities. Key members of the Airport staff include three Deputy Directors.

Richard E. Hrabko was appointed in April 2007 as the Director of Airports and serves as the Chairman of the Airport Commission. Prior to joining the airport, he was Director of Aviation for the Spirit of St. Louis Airport during the period 1980 to 2007. Mr. Hrabko recently announced his retirement; however, he has indicated that he will remain as Director until a suitable replacement is found.

Gerard Slay has served as the Senior Deputy Director of Airports since February, 2000. Mr. Slay is responsible for airfield and terminal buildings maintenance and operations. Mr. Slay joined the Airport in 1984 as Airport Maintenance Manager and served in that position until February, 2000.

Susan Kopinski joined the Airport in February 2008 as the Deputy Director for Finance and Administration. In this newly created position she is responsible for the following departments: Finance and Accounting, Airport Properties and the Disadvantaged Business Enterprise (DBE) Program. Ms. Kopinski's prior airport experience includes positions as Airport Finance Director at Detroit Metro Wayne County Airport and Chief Financial Officer at Cleveland Hopkins International Airport.

Cornell F. Mays AIA joined the Airport in March 2009 as the Deputy Airport Director of Planning and Development. In this newly created position he is responsible for planning, environmental, engineering, design and construction. Prior to joining the Airport, Mr. Mays served as Deputy Director of Airports Detroit Metro Wayne County Airport where his duties included management of the \$2 billion capital improvement plan, including master planning, environmental mitigation projects, surface transportation, business management and capacity projects.

### **Airport Employees**

For Fiscal Year 2009, the Airport has 557 allocated full-time employee positions and an additional 79 City firefighter personnel who are assigned to the Airport. Approximately 52.5% of these employees are represented by employee groups. These employee groups are not entitled to strike under Missouri law since the Airport, as a department of the City, is not subject to collective bargaining. Airport employees are covered by the City's pension plan. See **APPENDIX C – "Audited Financial Statements of the Airport"** for additional information on the pension plan.

## **CAPITAL IMPROVEMENT PROGRAMS AT THE AIRPORT**

### **General**

The Airport engages on an on-going basis in various programs to improve the facilities and operations of the Airport. The Airport's improvement programs consist of (i) the Airport development program (the "Airport Development Program" or the "ADP"), (ii) the rolling five-year capital improvement program (the "5-Year CIP"), and (iii) the Part 150 Noise Mitigation Program. Such Airport improvement programs and the expected sources of financing for those programs are described below.

The ability of the City to finance the improvement programs at the Airport is subject to various factors, including, among others, the amount of Revenues generated by the Airport (including the ability of the Airport to include appropriate amounts of its capital expenditures in the rates and charges of airlines using the Airport), the availability of funds under federal and state programs and the ability of the City to issue Additional Bonds or other indebtedness for Airport purposes (including the City's ability to meet the test for the issuance of Additional Bonds under the Indenture and to comply with legal requirements relating to its incurrence of indebtedness, including the \$3.5 billion limitation set forth in the Voter Approval).

### **The Airport Development Program**

The Airport's current ADP includes plans for Airport development over a 20-year planning period, which is to be accomplished in phases.

The City completed the first phase of the ADP in April 2006 (herein referred to as "Phase 1 of the ADP"). The major element of Phase 1 of the ADP was the construction of a new parallel runway.



Phase 1 of the ADP also included the acquisition of certain land adjacent to the Airport for the purpose of constructing the new runway and constructing certain improvements relating to the development of the new runway.

Phase 1 of the ADP was implemented over the eight-year period from FY 1999 through FY 2006 at a cost of \$1.1 billion. The City funded a portion of the costs of Phase 1 of the ADP from (1) proceeds of Bonds, (2) AIP grants under a Letter of Intent that was awarded to the City by the FAA in November 1998, (3) PFCs and (4) available funds in the Development Fund under the Indenture.

Phase 2 of the ADP provides for certain terminal improvements and the design and the construction of a new terminal. The Airport has placed the design and construction of Phase 2 of the ADP on hold until it determines that passenger demand and circumstances warrant its reactivation.

### **The 5-Year CIP**

The City prepares a rolling five-year capital improvement program. The Airport's current 5-Year CIP consists largely of projects involving maintenance, refurbishment and modernization of existing Airport facilities and infrastructure planned for Fiscal Years 2008 through 2012. Pursuant to the Use Agreements, the Participating Airlines pre-approved some of the projects included in the current 5-Year CIP.

The total cost of the current 5-Year CIP is estimated at \$334.5 million. The City expects to finance the cost of the 5-Year CIP largely with equity resources—AIP grants, PFCs and Development Fund moneys. Since many of the 5-Year CIP projects are eligible for 75% AIP funding, the City anticipates that it will receive the total eligible AIP funding for all such projects. The City also anticipates using \$29.7 million of Development Fund funds to be provided in part from the existing Development Fund balance.

To complete the funding of the current 5-Year CIP, the City does not currently expect to issue any Additional Bonds, in addition to the Series 2009 Bonds.

The City also anticipates undertaking a terminal explosives detection systems (“EDS”) Long-Term Baggage Screening project. The Use Agreements allow the City to undertake and recover the cost of the terminal EDS Long-Term Baggage Screening project, currently estimated at \$83.5 million, without seeking a review by the Participating Airlines, but only if not less than 75% of the total cost of the project is funded with federal grants.

Since 1997, in addition to the ADP Phase I Projects which cost in excess of \$1 billion, the Airport has undertaken capital improvement projects totaling \$235 million, of which approximately \$218.3 million has been completed and placed in service. In addition, since 2002, the City has undertaken several security-related projects intended to respond to federal security requirements imposed on airports as a result of the Events of September 11, 2001, including structural modifications to the West Terminal and East Terminal garages and terminal buildings, planning and design of improvements to accommodate in-line EDS in terminal buildings, upgrading the security checkpoints in the West and the East Terminals and perimeter fence improvements. The total cost of these security-related projects is estimated at \$19.8 million. The City has received three AIP grants aggregating \$16.2 million to fund a portion of these projects. The security-related projects have been completed and placed in service, including renovations of the Concourse C and Concourse D security checkpoints.

### **Part 150 Noise Mitigation Program**

The City has been conducting a Part 150 Noise Mitigation Program (the “Part 150 Program”) for the past 20 years, pursuant to applicable regulations of the FAA. The program is based on

recommendations set forth in a Part 150 Study that was completed in 1987 and a subsequent Part 150 Update that was completed in 1997. Through March 31, 2009, the City had expended, encumbered or committed approximately \$381 million for various noise mitigation measures, including (1) property acquisition, (2) purchase of avigation easements, (3) acoustical treatment of schools, (4) a pilot sound insulation program, (5) procurement of a noise management (monitoring) system, and (6) the relocation of Berkeley High School Complex from the northeast quadrant of the Airport to an off-airport site. The City expects to commit an additional \$17 million for a sound insulation program over the next several years, bringing the total cost of the program to \$397 million.

The Part 150 Program has been funded with Bonds, AIP grants-in-aid, PFCs, and the Development Fund. The City expects to complete the funding of the Part 150 Program with anticipated future AIP discretionary grants, matching funds to be provided from currently approved PFC resources and, if necessary, moneys in the ADF. The timing of the balance of the Part 150 program will depend, in part, on the availability of such grants. The City currently does not anticipate using any Bond proceeds to complete the funding of the Part 150 Program.

The City started a new master plan and Part 150 Study during the current fiscal year. The study, which is to determine the current and future noise impacts based on current and anticipated Airport operations, is expected to take approximately two years.

## **AIRPORT FINANCIAL INFORMATION**

### **Revenues and Expenses**

The financial statements of the Airport for the Fiscal Years ended June 30, 2008, and June 30, 2007, included in **APPENDIX B - “Audited Financial Statements of the Airport”** to this Official Statement have been audited by KPMG LLP, independent auditors.

The following table sets forth the historical revenues and expenses and certain Bond-related data of the Airport for the five Fiscal Years ended June 30, 2008 and the nine months ended March 31, 2009. Such information is based primarily upon the audited financial statements of the Airport for such Fiscal Years and on unaudited interim financial information prepared by management of the Airport for the nine months ended March 31, 2009.

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**LAMBERT-ST. LOUIS INTERNATIONAL AIRPORT**  
**Airport Revenues and Expenses and Certain Bond-Related Data**  
(in thousands)  
(Fiscal Years Ended June 30)

	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>9 months ended 3/31/09</u> Unaudited
GARB Revenues						
Air Carrier Fees	\$67,963	\$63,730	\$69,498	\$81,190	\$86,011	\$63,657
Concession Fees	30,533	30,321	33,881	36,959	42,597	27,714
Cargo/Other	13,071	8,864	8,553	7,617	5,997	5,224
Revenues						
Airline Revenue				6,000	5,000	0
Mitigation						
TWA Lease	7,773	7,607	3,804	0	0	0
Charges						
Interest Income	<u>5,443</u>	<u>6,179</u>	<u>5,451</u>	<u>6,296</u>	<u>5,715</u>	<u>2,256</u>
Total GARB Revenues	\$124,783	\$116,702	\$121,187	\$138,062	\$145,320	\$98,851
Pledged PFC Revenues	<u>18,766</u>	<u>18,766</u>	<u>18,493</u>	<u>25,884</u>	<u>25,555</u>	<u>18,072</u>
Total Revenues	\$143,549	\$135,468	\$139,680	\$163,947	\$170,875	\$116,923
Total Operating Expenses	\$67,613	\$67,640	\$69,219	\$81,317	\$88,308	58,766
Net Revenues	\$75,937	\$67,828	\$70,461	\$82,629	\$82,567	58,157
Aggregate Annual Debt Service on Outstanding Bonds	59,427	47,133	47,342	63,181	64,021	--
Debt Service Coverage	1.28x	1.44x	1.49x	1.31x	1.29x	--

**Management Discussion of Financial Information**

*GARB Revenues.* GARB Revenues for the Fiscal Year ended June 30, 2008, were \$145.3 million, which represents an increase of \$7.2 million, or 5.3%, compared to the Fiscal Year ended June 30, 2007. The increase is attributed to increases in airline landing fee revenues, which increased by approximately \$7.5 million, including the \$5.0 million of airline rate mitigation earned during the year, and concession revenues, which totaled approximately \$42.5 million and represented approximately 29% of GARB Revenues in the Fiscal Year ended June 30, 2008.

*PFC Revenues, Including Pledged PFC Revenues.* The Airport collected a total of \$28.8 million in PFC Revenues (including interest earnings) during the Fiscal Year ended June 30, 2008, of which \$25.6 million constituted Pledged PFC Revenues and are therefore included in Revenues. The current PFC rate is \$4.50 per passenger, an increase from \$3.00 in December 2001. The Airport has FAA approval to collect and use approximately \$1.3 billion in PFC Revenues through March 2017. As

described above, only a portion of the PFC Revenues is pledged under the Indenture. The portion of PFC Revenues that constitutes Pledged PFC Revenues is an amount equal to 125% of the debt service on Bonds allocable to projects approved for PFC funding.

*Total Revenues.* The total amount of Revenues pledged pursuant to the Indenture for the Fiscal Year ended June 30, 2008, is \$170.9 million, consisting of \$145.3 million in GARB Revenues and \$25.6 million in Pledged PFC Revenues.

*Operation and Maintenance Expenses.* Operation and maintenance expenses for the Fiscal Year ended June 30, 2008, were \$88.3 million, which represents an increase of \$7 million or approximately 9% compared to the Fiscal Year ended June 30, 2007. The increase is primarily due to increases in personal services, supplies, contractual services and depreciation.

*Net Revenues.* The Airport's Net Revenues for the Fiscal Year ended June 30, 2008, were \$82.6 million, which represents a decrease of \$.06 million which is relatively unchanged from the Fiscal Year ended June 30, 2007. The increase in Net Revenue is primarily due to the increase in GARB Revenues reduced by the higher operation and maintenance expenses.

During FY 2007 and FY 2008, the Airport recognized losses of \$76,209,000 and \$30,532,000 respectively, under generally accepted accounting principles. These losses were principally the result of losses on the sale of surplus property by the Airport. See **Appendix B** – “Audited Financial Statements of the Airport,” Note 18 to this Official Statement.

### **Management Discussion of Period Ending March 31, 2009**

*GARB Revenues.* GARB Revenues through March 31, 2009, for the Fiscal Year 2009, were \$98.9 million, which represents an increase of \$411,000, or .5%, compared to the same period for Fiscal Year 2008. An increase in Air Carrier Fees and Cargo/Other Revenues of \$5.6 million was matched by a decrease in Concession Fees and Interest Income of \$5.2 million.

*PFC Revenues, Including Pledged PFC Revenues.* Through March 31, 2009, of Fiscal Year 2009, the Airport earned a total of \$18.5 million in PFC Revenues (including interest earnings), of which \$18.1 million constituted Pledged PFC Revenues. The current PFC rate is \$4.50 per passenger, an increase from \$3.00 in December 2001. The Airport has FAA approval to collect and use approximately \$1.1 billion in PFC Revenues through January 2022. As described above, only a portion of the PFC Revenues is pledged under the Indenture. The portion of PFC Revenues that constitutes Pledged PFC Revenues is an amount equal to 125% of the debt service on Bonds allocable to projects approved for PFC funding.

*Total Revenues.* The total amount of Revenues pledged pursuant to the Indenture through March 31, 2009, for the Fiscal Year 2009 is \$117 million, consisting of \$98.9 million in GARB Revenues and \$18.1 million in Pledged PFC Revenues. This compares to GARB Revenues of \$98.4 million and \$18.1 million in Pledged PFC Revenues for the same period in 2008.

*Operation and Maintenance Expenses.* Operation and maintenance expenses through March 31, 2009, for Fiscal Year 2009 were \$58.8 million, which represents a decrease of \$4.3 million, or approximately 6.9%, compared to the same period for Fiscal Year 2008. This is primarily due to a decrease in supplies and contractual services resulting from less bad weather in Fiscal Year 2009.

*Net Revenues.* The Airport's Net Revenues through March 31, 2009, for Fiscal Year 2009 were \$58.1 million which represents an increase of \$4.8 million, or approximately 9%, compared to the same period for Fiscal Year 2008. The increase in net revenues is primarily due to the decrease in operation and maintenance expenses.

## **FACTORS AFFECTING THE AIRPORT AND THE AIR CARRIER INDUSTRY**

### **General**

The City's ability to collect Revenues may be affected by the ability of the airlines operating at the Airport to meet their respective obligations under the Use Agreements, the Operating Agreements and other arrangements. In addition, the level of aviation activity at the Airport can have a material impact on the amount of Revenues and PFC Revenues of the Airport. The amount of the PFC Revenues is based upon the number of enplanements at the Airport, thus, any decrease in enplanement levels, whether due to a general decrease in aviation activity nationwide or a decrease in aviation activity at the Airport specifically, will cause a decrease in the amount of the PFC Revenues received by the Airport. The amount of moneys to be deposited into the Revenue Fund in any given month is also dependent upon the level of concession and non-air carrier revenues, which is dependent upon activity at the Airport. Amounts available for deposit in the Revenue Fund could be adversely affected by delays or defaults in the payment of rates and charges by the air carriers at the Airport.

The generation of Revenues from the operation of the Airport depends on various factors, many of which are not subject to the control of the Airport, including, as noted above, the ability of the airlines serving the Airport to meet their respective obligations under the Use Agreements and the Operating Agreements. The revenues and financial condition of the airlines serving the Airport may be materially affected by many factors including, without limitation, the following: declining air travel demand; service and cost competition; mergers; the availability and cost of fuel and other necessary supplies; high fixed costs; high capital requirements; the cost and availability of financing; technological changes; national and international disasters and hostilities; the cost and availability of employees; strikes and other employee disruptions; the maintenance and replacement requirements of aircraft; the availability of routes and slots at various airports; litigation liability; regulation by the federal government; environmental risks and regulations; noise abatement concerns and regulation; deregulation; federal and state bankruptcy and insolvency laws; acts of war, terrorism and other risks.

### **National and International Economic and Political Conditions**

Historically, air carrier passenger traffic nationwide has correlated closely with the state of the United States economy and levels of real disposable income. Sustained future growth in domestic air carrier passenger traffic will depend largely on the ability of the nation to sustain economic growth.

As international trade and air travel have increased, international economics, currency exchange rates, trade balances, political relationships and conflicts within and between foreign countries have become important influences on passenger traffic at major United States airports. Aviation security precautions and safety concerns arising from international political conflicts also can affect air carrier travel demand.

The Events of September 11, 2001, fundamentally altered industry dynamics and passenger travel patterns. See **"Aviation Security Requirements"** and **"Revenues from Air Carriers"** below.

## **Aviation Security Requirements**

In response to the Events of September 11, 2001, the FAA instituted several security and safety measures for all U.S. airports, including enhancing the search and security checks and prohibiting unticketed persons beyond security checkpoints.

On November 19, 2001, the Aviation and Transportation Security Act (the “Aviation Security Act”) was enacted. The Aviation Security Act, as amended, created the Department of Homeland Security (“DHS”) and the Transportation Security Administration, and provided for the federalization of airport security. The Aviation Security Act permits the deployment of air marshals on all flights and requires deployment of air marshals on all “high risk” flights. The Aviation Security Act also requires that sufficient EDS be deployed at airports in the United States to screen all checked baggage. The airlines and the federal government are largely responsible for the cost of implementing the new security measures.

The Airport cannot predict the likelihood of the occurrence of future incidents similar to the Events of September 11, 2001, the likelihood of future air transportation disruptions or the impact on the Airport or the airlines from such incidents or disruptions.

## **Revenues from Air Carriers**

Historically, the airline industry’s results have corresponded with the performance of the economy. Air carrier fares have an important effect on passenger demand, particularly for relatively short trips where the automobile or other travel modes are alternatives and for price-sensitive “discretionary” travel, such as vacation travel. Airfares are influenced by air carrier operating costs and debt burden, passenger demand, capacity and yield management, market presence and competition.

Air travel demand and airline revenues dropped precipitously as a result of the Events of September 11, 2001. The stringent security processing implemented at airports and a sluggish economic recovery that followed the Events of September 11, 2001, inhibited recovery of air travel demand and caused a further drop in airline revenues. Most major U.S. airlines filed for bankruptcy protection. Faced with dampened air travel demand, an evolving business climate and growing competition from low-cost, low-fare carriers, airlines reduced schedules, simplified fleets, deferred new aircraft delivery, transferred routes to regional partners, reduced and/or eliminated service to unprofitable markets, implemented pay cuts and reduced workforces and introduced innovations in passenger service, including the use of the internet and self-service kiosks.

Passenger traffic began to recover in 2003 and by 2004, U.S. airline passenger enplanements and airline operating revenues returned to the pre-September 11, 2001, levels. According to the Air Transportation Association, in 2005, U.S. airline passenger enplanements and airline operating revenues exceeded the pre-September 11, 2001, levels by 10.9% and 15.2%, respectively. Nonetheless, several major airlines continued to experience financial difficulties. The current recession has resulted in a reduction in enplanements for CY 2008 of 6.6% compared to CY 2007 and enplanements for the first three months of 2009 total 1,426,734, as compared to a total of 1,688,843 for the same period in 2008.

## **Air Carrier Service and Routes**

While passenger demand at an airport depends on the population and the economy of the region served, air carrier service and the number of passengers enplaned also depend on the route networks of the air carriers serving the airport. Domestic air carriers are free to enter or leave individual air traffic markets, and to increase or decrease service at will. Most major air carriers have developed “hub-and-

spoke” route networks as a means of increasing their service frequencies, passenger volumes and profitability.

### **Low-cost Carriers and Low-fare Divisions of Legacy Carriers**

In recent years, low-cost carriers have accounted for an increasing share of the domestic U.S. passenger market at the expense of the legacy carriers. Nationally, low-cost carrier service accounted for approximately 10% of passenger traffic in the early 1990’s and increased to approximately 26.3% in 2008. Increased competition from low-cost carriers has placed additional pressure on the legacy carriers to institute further cost-cutting measures, reduce their fares to remain competitive and introduce their own low-fare divisions.

Low-cost carriers and low-fare divisions of legacy carriers have expanded service at the Airport as well. Currently, the Airport is served by two low-cost carriers: Southwest and Frontier. Southwest is the largest low-cost carrier serving the Airport, with 29.2% of total Airport enplanements in CY 2008. Northwest and Delta accounted for enplanement shares of 3.1% and 2.2%, respectively, in CY 2008.

### **Aviation Fuel Costs**

According to the Air Transportation Association, fuel is the second largest cost component of airline operations after labor and continues to be an important and uncertain determinate of an air carrier’s operating economics. Fluctuating fuel prices have caused corresponding fluctuations in airfares and air carrier operating results.

The median price of crude oil in the 10-year period from 1999 until 2008 was \$41.89<sup>1</sup> per barrel. The average price of crude oil in 2008 was \$91.48 per barrel and has averaged \$36.67 per barrel through the four months of 2009. Significant and prolonged increases in the cost of aviation fuel have had, and are likely to continue to have, an adverse impact on the air transportation industry by reducing airline profitability and hampering airline financial recovery plans.

## **FINANCIAL CONDITION OF CERTAIN AIRLINES SERVING THE AIRPORT**

### **General**

The Airport derives its operating revenues primarily from landing and facility rental fees. The financial strength and stability of the airlines serving the Airport, among other factors, including the decisions of individual airlines regarding levels of service, affect the level of aviation activity at the Airport and Airport Revenues. For information regarding airline activity at the Airport, see **“CERTAIN INVESTMENT CONSIDERATIONS - Airline Activity at the Airport.”**

The principal airlines serving the Airport are American Airlines, which is a subsidiary of AMR Corporation (“AMR”), and Southwest. For the twelve months ended June 30, 2008, American Airlines accounted for approximately 30% of the total airline rentals, fees and charges component of the Airport’s operating revenue and approximately 43.8% of total enplanements, including regional affiliates. For the twelve months ended June 30, 2008, Southwest accounted for approximately 27% of the total airline rentals, fees and charges component of the Airport’s operating revenue and approximately 29.2% of total enplanements. Certain limited information regarding the financial condition of AMR, Southwest and certain other airlines operating at the Airport is set forth below.

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<sup>1</sup> Source, Illinois Oil and Gas Association webpage

## AMR

According to information filed with the SEC, AMR reported a net loss of \$504 million (\$1.78 per diluted share) in 2007, and a net loss of \$2.1 billion (\$7.98 per diluted share) in 2008. AMR reported a net loss of \$375 million (\$1.35 per share) for the three months ended March 31, 2009, compared to net earnings of \$341 million (\$1.37 per share) for the three months ended March 31, 2009. Such three-month information is unaudited.

AMR and its affiliates substantially reduced their operations at the Airport in November 2003. See **“AIRPORT OPERATIONS.”** An additional 18-flight reduction was announced on June 11, 2009, to become effective in August and November, 2009. The impact of these latest announced flight reductions is discussed in the “FINANCIAL FEASIBILITY REPORT OF THE AIRPORT CONSULTANT” in **Appendix A** to this Official Statement. No assurance can be given that AMR and its affiliates will continue their operations at their existing level at the Airport. Any further reduction in such operations could have a material adverse impact on aviation activity at the Airport and, consequently, on Airport Revenues.

*The above information is derived principally from, and is qualified by, the information contained in AMR’s Form 10-K for the year ended December 31, 2008, and Form 10-Q for the quarter ended March 31, 2009, filed with the SEC. More complete information is contained in such filings. See “Additional Information” below.*

## Southwest

According to information filed with the SEC, Southwest reported net income of \$645 million (\$0.84 per diluted share) in 2007 and net income of \$178 million (\$0.24 per diluted share) in 2008. In 2008, Southwest posted a profit for its 36th consecutive year. Southwest reported a first quarter net loss of \$91 million (\$0.12 per diluted share) for the three months ended March 31, 2009, compared to net income of \$34 million (\$0.05 per diluted share) for the three months ended March 31, 2008. Such three-month information is unaudited.

*The above information is derived principally from, and is qualified by, the information contained in Southwest’s Form 10-K for the year ended December 31, 2008, and Form 10-Q for the quarter ended March 31, 2009, filed with the SEC. More complete information is contained in such filings. See “Additional Information” below.*

## Certain Other Airlines

UAL Corporation (“UAL”) and certain of its United States subsidiaries, including United Airlines, filed for Chapter 11 bankruptcy protection on December 9, 2002. UAL emerged from bankruptcy protection in February 2006. In CY 2008, UAL had a .9% market share at the Airport.

US Airways Group and certain of its subsidiaries filed their second voluntary petitions for relief under Chapter 11 of the Bankruptcy Code in two years on September 12, 2004. On September 27, 2005, US Airways Group Inc. and America West Holding Corp. merged and US Airways exited from bankruptcy. In CY 2008, US Airways (including its regional affiliates) had a 2.1% market share at the Airport.

Delta Airlines filed for bankruptcy protection on September 14, 2005. Delta Airlines emerged from bankruptcy protection on April 30, 2007. In CY 2007, Delta Airlines had a 2.2% market share at the Airport. Delta Airlines and Northwest Airlines merged in April 2008 creating the world’s largest airline operating under a single name, Delta.



Frontier Airlines Holdings, Inc., filed for bankruptcy protection on April 10, 2008. Frontier operates one gate at the Airport and is current on all of its payments to the Airport.

**There can be no assurance that any of the airlines currently in bankruptcy will adopt a plan of reorganization and emerge from bankruptcy, or that any such airline will continue to operate at the Airport or at its current level of operation; nor can there be any assurance that any airline operating at the Airport is not incurring or will not incur financial difficulties affecting its level of operations at the Airport or its ability to continue to operate as a viable airline.**

#### **Additional Information**

Most of the Signatory Airlines, including American Airlines, Southwest, Northwest Airlines, Delta Airlines and United Airlines (or their parent corporations), and certain other air carriers operating at the Airport (or their parent corporations), are subject to reporting requirements of the Exchange Act, and, in accordance therewith, file reports and other information with the SEC. Certain information, including financial information, concerning each reporting Signatory Airline (or its parent corporation) is contained in such documents filed with the SEC. Such documents can be read and copied at the SEC's Public Reference Room located at 450 Fifth Street, N.W., Washington, D.C. Further information regarding the Public Reference Room can be obtained by calling the SEC at 1-800-SEC-0330. Documents filed with the SEC can also be obtained at the SEC's Internet website at <http://www.sec.gov>. In addition, each domestic Signatory Airline is required to file periodic reports of financial and operating statistics with the U.S. Department of Transportation. Such reports can be inspected at the following location: Office of Airline Information, Bureau of Transportation, Room 4201, 400 Seventh Street, S.W., Washington, D.C. 20590, and copies of such reports can be obtained from the U.S. Department of Transportation at prescribed rates.

**Neither the City nor the Underwriters undertake any responsibility for or make any representation as to the accuracy or completeness of (i) any reports and statements filed with the SEC or the U.S. Department of Transportation or (ii) any material contained on the SEC's website as described in the preceding paragraph, including, but not limited to, updates of information on the SEC website or links to other internet sites accessed through the SEC's website.**

#### **CERTAIN INVESTMENT CONSIDERATIONS**

**The Series 2009 Bonds may not be suitable for all investors. Prospective purchasers of the Series 2009 Bonds should give careful consideration to the information set forth in this Official Statement, including, but not limited to, the matters referred to in the following summary.**

##### **Airline Activity at the Airport**

The Airport derives a substantial portion of its operating revenues from landing and facility rental fees. The financial strength and stability of the airlines using the Airport, and the number and the percentage of enplaned passengers carried by any one airline, together with numerous other factors, influence the level of aviation activity at the Airport. In addition, individual airline decisions regarding levels of service, particularly hubbing activity at the Airport, can substantially affect total enplanements.

American Airlines (including its affiliates) is the dominant carrier at the Airport, accounting for approximately 30% the total airline rentals, fees and charges component of operating revenue and approximately 31.1% of total enplanements at the Airport in the twelve months ended June 30, 2008. In

recent years, AMR experienced significant losses, as a result of which it reduced its operating schedule. On June 11, 2009, American Airlines informed the management of the Airport that it will eliminate eight daily flights from its mainline service effective November 2009 and ten daily flights from its American Eagle regional service effective August 2009. See **Appendix A – “FINANCIAL FEASIBILITY REPORT OF AIRPORT CONSULTANT”** for a discussion on the economic impact of these reductions. No assurances can be given that AMR will continue its operations at the Airport or that, if it discontinues or reduces such operations, its current level of activity will be replaced by other carriers. See **“AIRPORT OPERATIONS.”**

Southwest is the second largest carrier at the Airport, accounting for approximately 27% of the total airline rentals, fees and charges component of the operating revenue and 29.4% of total enplanements at the Airport in the twelve months ended June 30, 2008. Although Southwest has been adversely affected by some of the same economic pressures facing other airlines, other than the loss reported for the quarter ended March 31, 2009, it has continued to report a profit. No assurances can be given that Southwest will continue to operate at its current level or that, if it reduces or discontinues its operations, its current level of activity will be replaced by other carriers.

For information regarding the financial condition of American Airlines and Southwest, see **“FINANCIAL CONDITION OF CERTAIN AIRLINES SERVING THE AIRPORT.”**

### **Airline Industry Factors**

The Revenues of the Airport are affected substantially by the economic health of the airline industry and the airlines serving the Airport. Some factors that may materially affect the Airport and the airlines include, but are not limited to, growth of population and the economic health of the region and nation, airline service and route networks, national and international economic and political conditions, changes in demand for air travel, service and cost competition, mergers, the availability and cost of aviation fuel and other necessary supplies, levels of air fares, fixed costs and capital requirements, the cost and availability of financing, the capacity of the national air traffic control system, national and international disasters and hostilities, the cost and availability of employees, labor relations within the airline industry, regulation by the federal government, environmental risks and regulations, noise abatement concerns and regulation, the financial health and viability of the airline industry, bankruptcy and insolvency laws, acts of war or terrorism and other risks. Many airlines, as a result of these and other factors, have operated at a loss in the past and many have filed for bankruptcy, ceased operations and/or merged with other airlines. Historically, the financial performance of the airline industry has correlated generally with the strength of the national economy. See **“FACTORS AFFECTING THE AIR CARRIER INDUSTRY – General”** and **“FINANCIAL CONDITION OF CERTAIN AIRLINES SERVING THE AIRPORT.”**

### **Certain Factors Affecting the Airport**

Enplanements at the Airport, collection of PFCs and the receipt of Revenues have been and may continue to be negatively affected by restrictions on the Airport and the financial condition of the air travel industry. Like many airport operators, the Airport has experienced increased operating costs due to compliance with federally mandated and other security and operating changes. In addition, the FAA may require further enhanced security measures and impose additional restrictions on the Airport, which may affect future Airport results. The City cannot predict the likelihood of the occurrence of future incidents similar to the Events of September 11, 2001, the likelihood of future air transportation disruptions or the impact on the Airport or the airlines from such incidents or disruptions. See **“FACTORS AFFECTING THE AIR CARRIER INDUSTRY.”**

## **Regulations and Restrictions Affecting the Airport**

The operations of the Airport and its ability to generate revenues are affected by a variety of legislative, legal, contractual and practical restrictions. These include, without limitation, limitations imposed by the Use Agreements and the Operating Agreements and by extensive federal regulations applicable to all airports. The following summarizes some of the applicable regulations and restrictions:

### ***Restrictions as a Result of the Events of September 11, 2001***

The federal government has imposed enhanced security restrictions applicable to all airports in the United States. Such security enhancements have resulted in additional costs to the Airport, caused delays to travelers and have discouraged air travel by some members of the public. See **“FACTORS AFFECTING THE AIR CARRIER INDUSTRY – Aviation Security Requirements.”**

### ***Federal Funding Regulations***

The FAA has the power to terminate the authority to impose PFCs if the City’s PFC revenues are not used for approved projects, if project implementation does not commence within the time periods specified in the FAA’s regulations or if the City otherwise violates FAA regulations. The City’s plan of funding for the ADP, the 5-Year CIP and the Part 150 Program is premised on certain assumptions with respect to the timing and amounts of the City’s PFC applications, and the availability of PFCs to fund PFC-eligible portions of certain of those projects. In the event that amounts collected through PFCs are lower than expected, the City may elect to delay certain projects or to seek alternative sources of funding, including the issuance of Additional Bonds.

## **Expiration and Possible Termination of Use Agreements**

Pursuant to the Use Agreements, each Signatory Airline is required to pay certain rates and charges for its use of the Airport. The existing Use Agreements expire on June 30, 2011. The City and the Signatory Airlines have the right, under certain circumstances, to terminate such agreements prior to their expiration. See **“APPENDIX D - “Summary of Certain Provisions of the Use Agreements and the Operating Agreements.”**

The costs of certain capital expenditures by the Airport may not be included in rental and landing fees payable under the Use Agreements if such projects are opposed by an MII of the Participating Airlines. See **“CERTAIN AGREEMENTS FOR USE OF THE AIRPORT’S FACILITIES.”**

## **Effect of Bankruptcy on the Use Agreements**

In the event of bankruptcy proceedings involving one or more of the Signatory Airlines, the debtor airline or its bankruptcy trustee must determine within a time period determined by the court whether to assume or reject the applicable Use Agreement. However, bankruptcy courts are courts of equity and can grant exceptions to these statutory limitations. In the event of assumption, the debtor airline would be required to cure any prior defaults and to provide adequate assurance of future performance under the relevant document. Rejection of a Use Agreement by any bankrupt Signatory Airline would give rise to an unsecured claim of the City for damages, the amount of which may be limited by the Bankruptcy Code. In general, under the Use Agreements, the City is not permitted to allocate to other Signatory Airlines the rents, fees and charges for facilities surrendered by Signatory Airlines pursuant to a rejection in bankruptcy.

If the bankruptcy of one or more Signatory Airlines were to occur, there can be no assurance that the remaining Signatory Airlines would be able, individually or collectively, to meet their obligations under the Use Agreements. Whether or not a Use Agreement is assumed or rejected in a bankruptcy proceeding, it is not possible to predict the subsequent level of utilization of the gates leased under such agreement. Decreased utilization of gates could have a material adverse effect on Airport operations, as well as on Revenues and ultimately on the cost to the airlines of operating at the Airport. See **“APPENDIX D - “Summary of Certain Provisions of the Use Agreements and the Operating Agreements.”**

### **Limitations on Bondholders’ Remedies**

The occurrence of an Event of Default under the Indenture, including a failure to make a payment of principal of or interest on the Series 2009 Bonds, may not result in an acceleration of payment of the Series 2009 Bonds. As a result, the Airport may be able to continue indefinitely collecting Revenues and applying them to the operation of the Airport, even if an Event of Default has occurred and no payments are being made on the Series 2009 Bonds. See **“THE SERIES 2009 BONDS - Matters Relating to Enforceability”** and **“-- Acceleration.”**

### **Costs of Capital Improvement Programs and Schedule**

The estimated costs of, and the projected schedule for, the projects included in the 5-Year CIP, the Part 150 Noise Mitigation Program and the ADP depend on various sources of funding, including Additional Bonds, PFCs and federal grants, and are subject to a number of uncertainties. The ability of the City to complete these projects may be adversely affected by various factors including: (i) estimating errors; (ii) design and engineering errors; (iii) changes to the scope of the projects; (iv) delays in contract awards; (v) material and/or labor shortages; (vi) unforeseen site conditions; (vii) adverse weather conditions; (viii) contractor defaults; (ix) labor disputes; (x) unanticipated levels of inflation; and (xi) environmental issues, including environmental approvals that the City has not obtained at this time. A delay in the completion of certain projects could delay the collection of Revenues in respect of such projects, increase costs for such projects, and may cause the rescheduling of other projects. Any schedule delays or cost increases could result in the need to issue Additional Bonds and may result in increased costs per enplaned passenger to the airlines serving the Airport that may place the Airport at a competitive disadvantage to other airports. See **“CAPITAL IMPROVEMENT PROGRAMS AT THE AIRPORT.”**

### **Forward Looking Statements**

This Official Statement, including the information contained under the captions **“INTRODUCTION,” “THE SERIES 2009 BONDS,”** and **“CAPITAL IMPROVEMENT PROGRAMS AT THE AIRPORT”**, contains statements relating to future results that are “forward looking statements” as described in the Private Securities Litigation Reform Act of 1995. When used in this Official Statement, the words “estimate,” “projection,” “intend,” “expect,” and similar expressions identify forward looking statements. Such statements are subject to risks and uncertainties that could cause actual results to differ materially from those contemplated in such forward looking statements. The factors that may cause projected revenues and expenditures to be materially different from those anticipated include an inability to incur debt at assumed rates, construction delays, increases in construction costs, general economic downturns, factors affecting the airline industry in general, changes in the levels of operations at the Airport, federal legislation and/or regulations, acts of terrorism and regulatory and other restrictions, including, but not limited to, those that may affect the ability to undertake the timing or the costs of certain projects. Any projection is subject to such uncertainties. Therefore, there are likely to be differences between projections and actual results, and those differences may be material.

## REVIEW OF THE AIRPORT CONSULTANT

The City has retained Unison Consulting, Inc. to serve as the airport consultant (the “Airport Consultant”) in connection with the issuance of the Series 2009 Bonds. In that capacity, the Airport Consultant has (i) provided certain certifications required in connection with the issuance of Additional Bonds, analyzed the ability of the City to meet its financial obligations related to the Series 2009 Bonds and (ii) prepared a Financial Feasibility Report regarding the Airport’s operating revenues, expenses and air traffic activity, dated June 30, 2009 (the “Report of the Airport Consultant”), which is attached hereto as **APPENDIX A**.

On June 11, 2009, American Airlines informed the management of the Airport that it will eliminate eight daily flights from its mainline service effective November 2009 and ten daily flights from its American Eagle regional service effective August 2009. The Financial Feasibility Report analyzes and reflects the impact of these reductions on, among other things, forecasted aviation activity, revenues, net revenues and debt service coverage. The Financial Feasibility Report analyzes two scenarios relating to the American Airlines reductions: (1) a most likely scenario (which is incorporated in the Report’s Base Case scenario) and (2) a worst-case scenario (which is incorporated in the Report’s Low Case scenario).

The Base Case scenario assumes that the Airport will lose all connecting enplanements on eliminated flights and a few nonstop origination and destination (“O&D”) enplanements on eliminated flights to destinations retaining less than 50% or none of the nonstop service currently received. The Base Case scenario implies that much of the O&D traffic would be recaptured by remaining service, and boarding load factors would improve on remaining flights by American and other airlines.

The Low Case scenario assumes that the Airport will lose all the enplanements, O&D and connecting on the flights to be eliminated. It implies that none of the O&D traffic on flights to be eliminated will be recaptured by remaining service.

Tables V-8 and V-9 of the Financial Feasibility Report (which have been inserted on pages 46 and 47 of the Official Statement) illustrate the revenues, net revenues and debt service coverage for the Base Case and Low Case scenarios. Both scenarios illustrate that 1.25 times debt service coverage will be met in each year of the forecast period; however, if the Low Case scenario occurs, it will be necessary to implement some or all of the Airport initiatives described in the Financial Feasibility Report to reach these coverage levels.

### **Projected Airport Revenues**

The following tables present (i) the actual Airport Revenues for Fiscal Year 2008 and projections for Fiscal Years 2009 through 2015 and (ii) the Signatory Airline revenues, cost per enplaned passenger and rates for Fiscal Year 2008 and projections for Fiscal Years 2009 through 2015.

Total Airport Revenues are projected to increase from \$170.9 million in Fiscal Year 2008 to \$204.4 million in Fiscal Year 2015 or at an average annual growth rate of 2.6%. Revenues are projected to be sufficient to pay Operation and Maintenance Expenses and meet all of the other funding requirements of the Indenture in each year of the projection period, Fiscal Year 2009 through Fiscal Year 2015. Net Revenues are projected to exceed 1.25 times Aggregate Adjusted Debt Service in Fiscal Years 2013 through 2015.

The average Signatory Airline cost per enplaned passenger is projected to fluctuate from \$13.52 in Fiscal Year 2009 to \$13.40 in Fiscal Year 2015. The Signatory Airline landing fee rate is projected to increase from \$8.12 (per 1,000 pounds) in Fiscal Year 2009 to \$7.84 (per 1,000 pounds) in Fiscal Year 2015.

In addition, based on its knowledge of comparable airports and its experience in providing financial consulting services to a variety of airports, the Airport Consultant believes the projected airline costs per enplaned passenger at the Airport, while considerably higher than those recorded in the years prior to the reduction of American Airlines' operations at the Airport in November 2003, are reasonable when compared to other major airports that have completed or are currently implementing major capital improvement programs.

The financial projections presented in the Financial Feasibility Report of the Airport Consultant are based on information and assumptions that have been provided by Airport management, or developed by the Airport Consultant and confirmed by Airport management. Based upon its review, the Airport Consultant believes that the information is accurate and that the assumptions provide a reasonable basis for the projections. However, some variations from the projections are inevitable due to unforeseen events and circumstances, and these variations may be material. The Financial Feasibility Report of the Airport Consultant should be considered in its entirety for an understanding of the projections and the underlying assumptions. See **"APPENDIX A – Financial Feasibility Report of the Airport Consultant."**

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**AIRPORT REVENUES**  
**LAMBERT-ST. LOUIS INTERNATIONAL AIRPORT**  
For Fiscal Years ending June 30  
(in thousands)

	<b>Avg. Annual Growth Rate</b>	<b>Actual</b>							
<b>Airport Revenues</b>	<b>2008-2015</b>	<b>2008</b>	<b>2009</b>	<b>2010</b>	<b>2011</b>	<b>2012</b>	<b>2013</b>	<b>2014</b>	<b>2015</b>
Signatory Airlines									
Airfield Landing Fees	2.0%	\$62,053	\$68,769	\$68,212	\$68,212	\$68,925	\$70,089	\$70,557	\$71,215
Terminal Rents	5.6%	17,665	20,058	21,382	22,613	24,520	25,027	25,405	25,826
Total	2.8%	\$79,718	\$88,827	\$89,594	\$91,538	\$94,189	\$95,116	\$95,961	\$97,041
Concession Fees									
Terminal Concessions	4.8%	\$9,201	\$8,417	\$8,615	\$9,705	\$10,682	\$11,333	\$12,046	\$12,737
Public Parking	5.6%	18,184	16,299	18,071	23,261	24,402	25,592	25,896	26,677
Car Rentals	3.5%	12,045	11,441	11,455	11,990	12,750	13,557	14,454	15,323
Space Rental	2.4%	1,247	1,266	1,294	1,324	1,354	1,385	1,427	1,469
In-Flight Catering	2.3%	604	613	626	640	655	670	690	711
Other	1.2%	1,317	1,340	1,352	1,365	1,378	1,391	1,408	1,427
Total	4.6%	\$42,597	\$39,375	\$41,412	\$46,284	\$51,221	\$53,927	\$55,921	\$59,344
Other									
Non-Signatory Landing Fees	-0.2%	\$3,587	\$3,337	\$3,223	\$3,316	\$3,367	\$3,411	\$3,468	\$3,533
Non-Signatory Airlines-Terminal	0.4%	1,034	1,060	1,060	1,060	1,060	1,060	1,060	1,060
Total	-0.1%	\$4,621	\$4,397	\$4,283	\$4,376	\$4,427	\$4,471	\$4,528	\$4,593
Airline Revenue Abatement		\$5,000	0	0	0	0	0	0	0
Cargo	3.4%	673	\$738	\$738	\$794	\$849	\$849	\$849	\$849
Hangars and Other Buildings	2.4%	362	368	376	385	394	403	415	427
Tenant Improvement									
Surcharge	0.1%	1,672	1,651	1,687	1,687	1,687	1,687	1,687	1,687
Other Miscellaneous	3.0%	4,961	5,366	5,540	5,706	5,846	6,008	6,218	6,109
Total Other	-3.3%	\$17,289	\$12,520	\$12,623	\$12,947	\$13,202	\$13,417	13,697	13,665
Total Operating Revenue	2.8%	\$139,605	\$140,722	\$143,629	\$152,768	\$158,612	\$162,461	\$165,579	\$169,049
Interest Income	-0.5%	5,715	3,234	3,948	4,222	5,468	5,698	5,809	5,507
Total GARB Revenues	2.7%	145,320	143,956	147,577	156,990	164,080	168,158	\$171,388	\$174,556
Miscellaneous Revenue							0	0	2,219
PFC Pledged Revenue	1.1%	25,555	24,096	27,135	27,195	23,863	27,578	27,578	27,577
Total Revenues	2.6%	\$170,875	\$168,052	\$174,712	\$184,185	\$187,943	\$195,737	\$198,966	\$204,352

**SUMMARY OF SIGNATORY AIRLINE REVENUES, COST PER ENPLANED PASSENGER AND RATES  
LAMBERT-ST. LOUIS INTERNATIONAL AIRPORT**

For Fiscal Years ending June 30  
(in thousands)

	<b>Actual</b>		<b>Projected</b>					
	<b>2008</b>	<b>2009</b>	<b>2010</b>	<b>2011</b>	<b>2012</b>	<b>2013</b>	<b>2014</b>	<b>2015</b>
<b>SIGNATORY AIRLINE REVENUES</b>								
Landing Fees	\$62,053	\$68,769	\$68,212	\$68,925	\$69,669	\$70,089	\$70,557	\$71,215
Terminal Building Rentals								
West Terminal	\$13,992	\$15,739	\$16,787	\$17,881	\$19,696	\$20,073	\$20,385	\$20,714
East Terminal	<u>3,674</u>	<u>4,319</u>	<u>4,596</u>	<u>4,732</u>	<u>4,824</u>	<u>4,954</u>	<u>5,020</u>	<u>5,111</u>
	\$17,665	\$20,058	\$21,382	\$22,613	\$24,520	\$25,027	\$25,405	\$25,826
<b>TOTAL Signatory Airlines Revenue-Basic Rates and charges</b>	\$79,718	\$88,827	\$89,594	\$91,538	\$94,189	\$95,116	\$95,961	\$97,041
Signatory airline enplaned passengers	7,365	6,572	6,116	6,290	6,539	6,796	7,034	7,240
<b>Signatory Airline Cost per enplaned passenger</b>	\$10.82	\$13.52	\$14.65	\$14.55	\$14.40	\$14.00	\$13.64	\$13.40
<b>SIGNATORY AIRLINE RATES</b>								
Landing Fee Rate (per 1,000 pounds)	\$6.95	\$8.12	\$8.68	\$8.76	\$8.51	\$8.23	\$7.99	\$7.84
Terminal Building Rental Rates								
West Terminal	\$41.59	\$44.33	\$46.63	\$49.67	\$53.96	\$54.99	\$55.09	\$55.98
East Terminal	\$48.31	\$55.53	\$59.22	\$61.04	\$62.27	\$64.00	\$64.88	\$66.10

## Debt Service Coverage

The following table shows Net Revenues and the calculation of actual debt service coverage for Fiscal Year 2008, and its projections for Fiscal Years 2009 through 2015.

**CALCULATION OF ANNUAL DEBT SERVICE COVERAGE**  
**LAMBERT-ST. LOUIS INTERNATIONAL AIRPORT**  
**For Fiscal Years ending June 30**  
**(in thousands)**  
**Base Case Scenario**

	<b>Actual</b>	<b>Projected</b>						
	<b>2008</b>	<b>2009</b>	<b>2010</b>	<b>2011</b>	<b>2012</b>	<b>2013</b>	<b>2014</b>	<b>2015</b>
Total Revenues	\$170,875	\$168,052	\$174,712	\$184,185	\$187,943	\$195,737	\$198,966	\$204,352
less: Operation and Maintenance Expenses	<u>88,308</u>	<u>87,257</u>	<u>84,542</u>	<u>87,442</u>	<u>89,899</u>	<u>92,428</u>	<u>95,030</u>	<u>97,708</u>
Net Revenues	\$82,567	\$80,795	\$90,171	\$96,744	\$98,044	\$103,309	\$103,936	\$106,644
Debt Service Outstanding Bonds <sup>1</sup>	\$64,021	\$62,836	\$64,036	\$64,705	\$66,917	\$71,804	\$71,524	\$74,035
Series 2009 Bonds	<u>0</u>	<u>0</u>	<u>8,099</u>	<u>10,926</u>	<u>11,219</u>	<u>8,649</u>	<u>8,782</u>	<u>6,719</u>
	\$64,021	\$62,836	\$72,135	\$75,631	\$78,136	\$80,453	\$80,306	\$80,754
<b>Debt service coverage ratio</b>	1.29x	1.29x	1.25x	1.28x	1.25x	1.28x	1.29x	1.32x

<sup>1</sup> Excludes capitalized interest.

**CALCULATION OF ANNUAL DEBT SERVICE COVERAGE**  
**LAMBERT-ST. LOUIS INTERNATIONAL AIRPORT**  
**For Fiscal Years ending June 30**  
**(in thousands)**  
**Low Case Scenario**

	<b>Actual</b>	<b>Projected</b>						
	<b>2008</b>	<b>2009</b>	<b>2010</b>	<b>2011</b>	<b>2012</b>	<b>2013</b>	<b>2014</b>	<b>2015</b>
Total Revenues	\$170,875	\$168,052	\$172,198	\$180,531	\$183,851	\$191,610	\$194,432	\$199,798
less: Operation and Maintenance Expenses	<u>88,308</u>	<u>87,257</u>	<u>82,019</u>	<u>83,782</u>	<u>86,132</u>	<u>88,549</u>	<u>91,037</u>	<u>93,597</u>
Net Revenues	\$82,567	\$80,795	\$90,180	\$96,750	\$97,720	\$103,061	\$103,395	\$106,201
Debt Service Outstanding Bonds <sup>1</sup>	\$64,021	\$62,836	\$64,036	\$64,705	\$66,917	\$71,804	\$71,524	\$74,035
Series 2009 Bonds	<u>0</u>	<u>0</u>	<u>8,099</u>	<u>10,926</u>	<u>11,219</u>	<u>8,649</u>	<u>8,782</u>	<u>6,719</u>
	\$64,021	\$62,836	\$72,135	\$75,631	\$78,136	\$80,453	\$80,306	\$80,754
<b>Debt service coverage ratio</b>	1.29x	1.29x	1.25x	1.28x	1.25x	1.28x	1.29x	1.32x

<sup>1</sup> Excludes capitalized interest.

## TAX MATTERS

In the opinion of Edwards Angell Palmer & Dodge LLP and The Stolar Partnership LLP, Co-Bond Counsel to the City (“Co-Bond Counsel”), based upon an analysis of existing laws, regulations, rulings, and court decisions, and assuming, among other matters, compliance with certain covenants, interest on the Series 2009 Bonds is excluded from gross income for federal income tax purposes under Section 103 of the Internal Revenue Code of 1986 (the “Code”), except that no opinion is expressed as to the status of interest on any Series 2009 Bond for any period that such Series 2009 Bond is held by a “substantial user” of the facilities financed or refinanced by the Series 2009 Bonds or by a “related person” within the meaning of Section 147(a) of the Code. On February 17, 2009, the President signed the American Recovery and Reinvestment Act of 2009 (the “Recovery Act”) into law. The Recovery Act includes changes which modify the treatment under the alternative minimum tax of interest on certain bonds of state and local government entities. As a result of the modifications made by the Recovery Act, interest on the Series 2009 Bonds is not a specific preference item for purposes of the federal individual or corporate alternative minimum taxes and is not included in adjusted current earnings when calculating corporate alternative minimum taxable income. Other than as expressly stated herein, Co-Bond Counsel express no opinion regarding any other federal tax consequences arising with respect to the ownership or disposition of, or the accrual or receipt of interest on, the Series 2009 Bonds.

The Code imposes various requirements relating to the exclusion from gross income for federal income tax purposes of interest on obligations such as the Series 2009 Bonds. Failure to comply with these requirements may result in interest on the Series 2009 Bonds being included in gross income for federal income tax purposes, possibly from the date of original issuance of the Series 2009 Bonds. The City has covenanted to comply with such requirements to ensure that interest on the Series 2009 Bonds will not be included in federal gross income. The opinion of Co-Bond Counsel assumes compliance with these covenants.

Co-Bond Counsel are also of the opinion that, under existing law and assuming that interest on the Series 2009 Bonds is excluded from gross income for federal income tax purposes under Section 103 of the Code, interest on the Series 2009 Bonds is excluded from Missouri taxable income for purposes of the personal income tax and corporate income tax imposed by the State of Missouri. Co-Bond Counsel express no opinion regarding the applicability with respect to the Series 2009 Bonds or the interest on the Series 2009 Bonds of the taxes imposed by the State of Missouri on financial institutions under Chapter 148 of the Revised Statutes of Missouri, as amended. A complete copy of the proposed form of opinion of Co-Bond Counsel is set forth in Exhibit F hereto.

To the extent the issue price of any maturity of the Series 2009 Bonds is less than the amount to be paid at maturity of such Series 2009 Bonds (excluding amounts stated to be interest and payable at least annually over the term of such Series 2009 Bonds), the difference constitutes “original issue discount,” the accrual of which, to the extent properly allocable to each owner thereof, is treated as interest on the Series 2009 Bonds which is excluded from gross income for federal income tax purposes. For this purpose, the issue price of a particular maturity of the Series 2009 Bonds is the first price at which a substantial amount of such maturity of the Series 2009 Bonds is sold to the public (excluding bond houses, brokers, or similar persons or organizations acting in the capacity of underwriters, placement agents or wholesalers). The original issue discount with respect to any maturity of the Series 2009 Bonds accrues daily over the term to maturity of such Series 2009 Bonds on the basis of a constant interest rate compounded semiannually (with straight-line interpolations between compounding dates). The accruing original issue discount is added to the adjusted basis of such Series 2009 Bonds to determine taxable gain or loss upon disposition (including sale, redemption, or payment on maturity) of such Series 2009 Bonds. Bondholders should consult their own tax advisors with respect to the tax consequences of ownership of Series 2009 Bonds with original issue discount, including the treatment of purchasers who do not purchase such Series 2009 Bonds in the original offering to the public at the first price at which a substantial amount of such Series 2009 Bonds is sold to the public.

Series 2009 Bonds purchased, whether at original issuance or otherwise, for an amount greater than the stated principal amount to be paid at maturity of such Series 2009 Bonds, or, in some cases, at the earlier redemption date of such Series 2009 Bonds (“Premium 2009 Bonds”), will be treated as having amortizable bond premium for federal income tax purposes. No deduction is allowable for the amortizable bond premium in the case of obligations, such as the Premium 2009 Bonds, the interest on which is excluded from gross income for federal income tax purposes. However, a Premium 2009 Bondholder’s basis in a Premium Bond will be reduced by the amount of amortizable bond premium properly allocable to such Premium 2009 Bondholder. Holders of Premium 2009 Bonds should consult their own tax advisors with respect to the proper treatment of amortizable bond premium in their particular circumstances.

Prospective Bondholders should be aware that certain requirements and procedures contained or referred to in the Indenture and other relevant documents may be changed and certain actions (including, without limitation, defeasance of the Series 2009 Bonds) may be taken or omitted under the circumstances and subject to the terms and conditions set forth in such documents. Co-Bond Counsel have not undertaken to determine (or to inform any person) whether any actions taken (or not taken) or

events occurring (or not occurring) after the date of issuance of the Series 2009 Bonds may adversely affect the value of, or the tax status of interest on, the Series 2009 Bonds. Further, no assurance can be given that pending or future legislation, including amendments to the Code, if enacted into law, or any proposed legislation, including amendments to the Code, or any regulatory or administrative development with respect to existing law, will not adversely affect the value of, or the tax status of interest on, the Series 2009 Bonds. Prospective Bondholders are urged to consult their own tax advisors with respect to proposals to restructure the federal income tax.

Although Co-Bond Counsel are of the opinion that interest on the Series 2009 Bonds is excluded from gross income for federal income tax purposes, the ownership or disposition of, or the accrual or receipt of interest on, the Series 2009 Bonds may otherwise affect a Bondholder's federal or state tax liability. The nature and extent of these other tax consequences will depend upon the particular tax status of the Bondholder or the Bondholder's other items of income or deduction. Co-Bond Counsel express no opinion regarding any such other tax consequences, and Series 2009 Bondholders should consult with their own tax advisors with respect to such consequences.

## **LITIGATION**

There is no litigation pending or, to the best knowledge of the City, threatened that would restrain or enjoin the issuance or delivery of the Series 2009 Bonds, that questions the validity of the Series 2009 Bonds or the Indenture, concerns any proceedings of the City taken in connection therewith or the pledge or application of any Revenues provided for their payment, or that contests the power of the City with respect to the foregoing.

The Airport is subject to a variety of suits and proceedings arising out of its ordinary course of operations, some of which may be adjudicated adversely. In the opinion of the City Counselor, there is no litigation pending against the City not sufficiently covered by insurance which, if determined adversely, would have a material adverse effect on Airport operations, Revenues or Net Revenues.

## **UNDERWRITING**

Goldman, Sachs & Co., as the representative of itself; Stifel Nicolaus & Co., Inc.; J.P. Morgan Securities Inc; Backstrom, McCarley, Berry & Co, LLC; Banc of America Securities LLC; Grigsby & Associates; Loop Capital Markets; M.R. Beal & Company; Mesirow Financial; Raymond James & Associates, Inc.; Robert W. Baird & Co.; SBK Brooks Investment Corporation; Stern Brothers & Co.; and Wachovia Bank, National Association (collectively, the "Underwriters"), has agreed to purchase the Series 2009 Bonds from the City at an aggregate purchase price equal to \$127,346,453.84 (which amount constitutes the aggregate principal amount of the Series 2009 Bonds, plus net original issue discount on the Series 2009 Bonds of \$1,540,172.00, less the Underwriters' discount on the Series 2009 Bonds of \$1,083,374.16.

The bond purchase agreement between the Underwriters and the City (the "Bond Purchase Agreement") provides that the Underwriters will purchase all of the Series 2009 Bonds if any are purchased, and that the obligation to make such purchase is subject to certain terms and conditions set forth in the Bond Purchase Agreement, the approval of certain legal matters by counsel and certain other conditions.

The initial public offering prices of the Series 2009 Bonds may be changed from time to time by the Underwriters.



## INDEPENDENT PUBLIC ACCOUNTANTS

Included as **APPENDIX B** are the audited financial statements of the Airport as of June 30, 2008 and 2007 and for the fiscal years then ended, together with the report thereon of KPMG LLP, independent public accountants. This Official Statement does not include audited financial information of the Airport after June 30, 2008.

## CO-FINANCIAL ADVISORS

Siebert Brandford Shank & Co., LLC and Gardner, Underwood & Bacon-Illinois, LLC served as co-financial advisors to the City with respect to the sale of the Series 2009 Bonds. The Co-Financial Advisors assisted in the preparation of this Official Statement and in other matters relating to the planning, structuring and issuance of the Series 2009 Bonds and provided other advice. The Co-Financial Advisors have not independently verified the factual information contained in this Official Statement, but have relied upon information supplied by the City and other sources who have certified that such information contains no material misstatement or omission.

## INVESTMENT ADVISOR

Columbia Capital Management LLC (“Columbia Capital”) serves as an investment advisor to the Treasurer of the City. Columbia Capital assisted in the planning, investment and allocation of certain accounts authorized by the Indenture. Columbia Capital also provided other advice related to the investment of proceeds of the Series 2009 Bonds and other funds invested in connection with the Indenture. Columbia Capital has not participated in the preparation, drafting or review of this Official Statement.

## AIRPORT CONSULTANT

Unison Consulting, Inc., Chicago, Illinois, has served as the Airport Consultant to the City with respect to the issuance of the Series 2009 Bonds.

## LEGAL MATTERS

All legal matters incident to the authorization, issuance and sale of the Series 2009 Bonds are subject to the approval of Edwards Angell Palmer & Dodge LLP, New York, New York, and The Stolar Partnership LLP, St. Louis, Missouri, Co-Bond Counsel, and certain other conditions. Certain legal matters will be passed upon for the City by the office of the City Counselor, and by Armstrong Teasdale LLP, St. Louis, Missouri, Special Counsel, and for the Underwriters by the Hardwick Law Firm, LLC, Kansas City, Missouri, and Gallop, Johnson, Neuman, LC, St. Louis, Missouri. The form of the Co-Bond Counsel opinion is set forth in **APPENDIX F** attached hereto.

## CONTINUING DISCLOSURE

*A summary of the Continuing Disclosure Agreement (the “**Disclosure Agreement**”) entered into by and between the City and the Trustee, as Dissemination Agent, is contained in **APPENDIX G**. All references herein to the Disclosure Agreement are qualified in their entirety by reference to such document. The Disclosure Agreement is available for inspection at the offices of the City.*

The City and the Trustee will enter into a Continuing Disclosure Agreement, pursuant to which the City covenants for the benefit of holders and beneficial owners of the Series 2009 Bonds to provide (i) audited financial statements of the Airport and certain statistical and operating data relating to

the City and the Airport by no later than 210 days following the end of the City's Fiscal Year (which currently ends on June 30 each year) (the "Annual Report"), commencing with the report for the Fiscal Year 2009, and (ii) notice of the occurrence of certain enumerated events, if material. The Annual Report and notices of material events will be filed by or on behalf of the City with the information repositories (currently the Municipal Securities Rulemaking Board by filing with its Electronic Municipal Market Access System ("EMMA") at <http://emma.msrb.org>). These covenants are being made in order to assist such Repository or the Underwriters in complying with the SEC Rule 15c2-12(b)(5) (the "Rule"). The City has never failed to comply in all material respects with any previous undertakings with regard to the Rule to provide annual reports or notices of material events.

If an entity is characterized as an "Obligated Person" under the Rule, certain information reporting requirements must be satisfied with respect to such entity. The City has determined that the City is an Obligated Person. The City also has determined that American Airlines and Southwest Airlines may be other Obligated Persons. These airlines are subject to the information reporting requirements of the Exchange Act, and in accordance therewith, file reports and other information with the SEC, as more fully described in **"FACTORS AFFECTING THE AIR CARRIER INDUSTRY."** The City makes no representation with respect to, and assumes no responsibility for, the accuracy or completeness of, any SEC report filed by, or any information provided by, any Obligated Person other than the City. Unless no longer required by the Rule, the City has agreed in the Disclosure Agreement to use its reasonable efforts to cause each Obligated Person other than the City, if any (to the extent that such Obligated Person is not otherwise required to file SEC reports), to provide to the City annual information substantially equivalent to that contained in the SEC reports. In the event that any such Obligated Person fails to provide to the City annual information substantially equivalent to that contained in the SEC reports, the City shall not be in default under the Disclosure Agreement. The City also has agreed in the Disclosure Agreement to use its reasonable efforts to include in any future amendments to the Use Agreements a provision requiring air carriers to provide information to the City to enable the City, if necessary, to comply with the Rule. In the event that the City does not obtain such provision in any future amendments to the Use Agreement, the City shall not be in default under the Disclosure Agreement.

In the event of a failure of the City or the Dissemination Agent to comply with any provision of the Continuing Disclosure Agreement, beneficial owners of the Series 2009 Bonds may take such actions as may be necessary and appropriate, including seeking mandamus or specific performance by court order, to cause the City or the Dissemination Agent, as the case may be, to comply with its obligations under the Continuing Disclosure Agreement. A default under the Continuing Disclosure Agreement shall not be deemed an event of default under the Indenture or the Series 2009 Bonds, and the sole remedy under the Continuing Disclosure Agreement in the event of any failure of the City or the Dissemination Agent to comply with the Continuing Disclosure Agreement shall be an action to compel performance.

## RATINGS

Moody's Investors Service, Inc. ("Moody's"), Standard & Poor's Ratings Services ("S&P"), a division of The McGraw-Hill Companies, Inc., and Fitch Ratings, Inc. ("Fitch") have assigned ratings of "Baa1," "A-" and "BBB" respectively, on the basis of the credit of the Airport.

These ratings should be evaluated independently. No application has been made to any other rating agency in order to obtain additional ratings on the Series 2009 Bonds. Such ratings reflect only the views of such organizations and any desired explanation of the significance of such ratings should be obtained from the rating agency furnishing the same, at the following addresses: Moody's

Investors Service, Inc., 99 Church Street, New York, New York 10007, Standard & Poor's Ratings Services, 25 Broadway, New York, New York 10004 and Fitch Ratings, Inc., One State Street Plaza, New York, New York 10004. Generally, a rating agency bases its ratings on the information and materials furnished to it and on investigations, studies and assumptions of its own. There is no assurance such ratings will not be revised downward or withdrawn entirely by the rating agencies, if in the judgment of such rating agencies, circumstances so warrant. Any such downward revision or withdrawal of such ratings may have an adverse effect on the market price of the Series 2009 Bonds.

#### **MISCELLANEOUS**

This Official Statement has been duly approved, executed and delivered by the City.

The references in the Official Statement to the Indenture and other documents are brief summaries of certain provisions thereof. Such summaries do not purport to be complete and for full and complete statements of the provisions thereof, reference is made to the Indenture and such other documents. Copies of such documents are on file at the offices of the City and following the delivery of the Series 2009 Bonds will be on file at the office of the Trustee. All estimates and other statements in this Official Statement involving matters of opinion, whether or not expressly stated, are intended as such and not as representations of fact.

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The attached appendices are integral parts of this Official Statement and must be read together with all of the foregoing statements.

**THE CITY OF ST. LOUIS, MISSOURI**

By: /s/ Francis G. Slay  
Francis G. Slay, Mayor

By: /s/ Darlene Green  
Darlene Green, Comptroller

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## **APPENDIX A**

### **Financial Feasibility Report of the Airport Consultant**



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June 30, 2009

Mr. Richard Hrabko  
Director of Airports  
Lambert-St. Louis International Airport  
Post Office Box 10212  
St. Louis, MO 63145

***Re: Financial Feasibility Report--The City of St. Louis, Missouri,  
Airport Revenue Bonds, Series 2009 (Lambert-St. Louis International Airport)***

Dear Mr. Hrabko:

Unison-Consulting, Inc. is pleased to submit this Financial Feasibility Report (the Report) in connection with the issuance by the City of St. Louis, Missouri, Airport Revenue Bonds, Series 2009A-1 (Lambert-St. Louis International Airport) (the Series 2009A-1 Bonds) total par value of \$107,240,000 and the Airport Revenue Bonds, Series 2009A-2 (the Series 2009A-2 Bonds) total par value of \$22,730,000, (the Series 2009 A-1 Bonds and the Series 2009 A-2 Bonds, with a combined total par value of \$129,970,000, will be collectively known as the Series 2009 Bonds). The issuance of the Series 2009 Bonds will enable the City of St. Louis, Missouri (the City) to fund a portion of the FY 2008 – FY 2012 CIP.

The Lambert-St. Louis International Airport (the Airport) is owned by the City and operated by the City of St. Louis Airport Authority (the Authority), an agency of the City. The Airport is the principal airport serving the St. Louis metropolitan area, a region with a population of approximately 2.8 million as of July 1, 2008. In Fiscal Year (FY) 2008<sup>1</sup>, approximately 7.6 million passengers were enplaned at the Airport, of which 5.8 million (77%) were originating passengers and 1.8 million (23%) were connecting passengers.

The past eight years have been particularly challenging for the Airport. A number of events took place that either caused traffic levels to fall or kept them from recovering:

- American Airlines' acquisition of Trans World Airways (TWA) 2001 leading to the downsizing and streamlining of the airline's hub operations at STL in November 2003
- Economic recession and terrorist attacks in 2001

<sup>1</sup> The City's fiscal year begins July 1 and ends the following June 30.

- International events such as the severe acute respiratory syndrome (SARS) epidemic and the Iraq War in 2003
- The U.S. economy entering into another recession beginning in December 2007

Coping with rising oil prices has been another challenge to the airline industry, especially as the growth in the U.S. economy, and consequently air travel demand, has slowed again since the third quarter of 2007. The U.S. economy reached a peak in December 2007 and entered another recession,<sup>2</sup> which ushered in another round of structural adjustments in the airline industry that led to flight cuts at many of the nation's airports, including STL.

American, together with its American Connection partners, currently has the largest market share at the Airport, accounting for 39.8% of enplanements for the quarter ending March 2009 as reflected in the table below.

- Together American Airlines and its American Connection operators accounted for the largest share of enplanements, but their combined share declined from 48.8 percent in 2004 to 39.8 percent as of March 2009:

	Calendar Year		
	2004	2008	Jan-Mar 2009
<b>Enplanements</b>			
American Airlines	2,107,436	2,241,182	417,494
American Connection	1,162,627	912,340	150,565
<b>Total Enplanements</b>	<b>3,270,063</b>	<b>3,153,522</b>	<b>568,059</b>
<b>Market Share</b>			
American Airlines	31.4%	31.1%	29.3%
American Connection	17.3%	12.7%	10.6%
<b>Total Market Share</b>	<b>48.8%</b>	<b>43.8%</b>	<b>39.8%</b>

- Southwest held the second largest share of enplanements, which increased from 23.6 percent in 2003 to 32.6 percent as of March 2009.
- As a group, mainline air carriers accounted for a large majority of enplanements, representing 72.1 percent of total enplanements as of March 2009. Regional operators, serving short-haul and low-density markets, accounted for 27.8 percent. Charter airlines accounted for the remaining 0.1 percent.

<sup>2</sup> According to the National Bureau of Economic Research (NBER) Business Cycle Dating Committee, a peak in economic activity occurred in the U.S. economy in December 2007, marking the end of the expansion that began in November 2001 and the beginning of a recession. Source: National Bureau of Economic Research Business Cycle Dating Committee, *Determination of the December 2007 Peak in Economic Activity*, December 11, 2008.

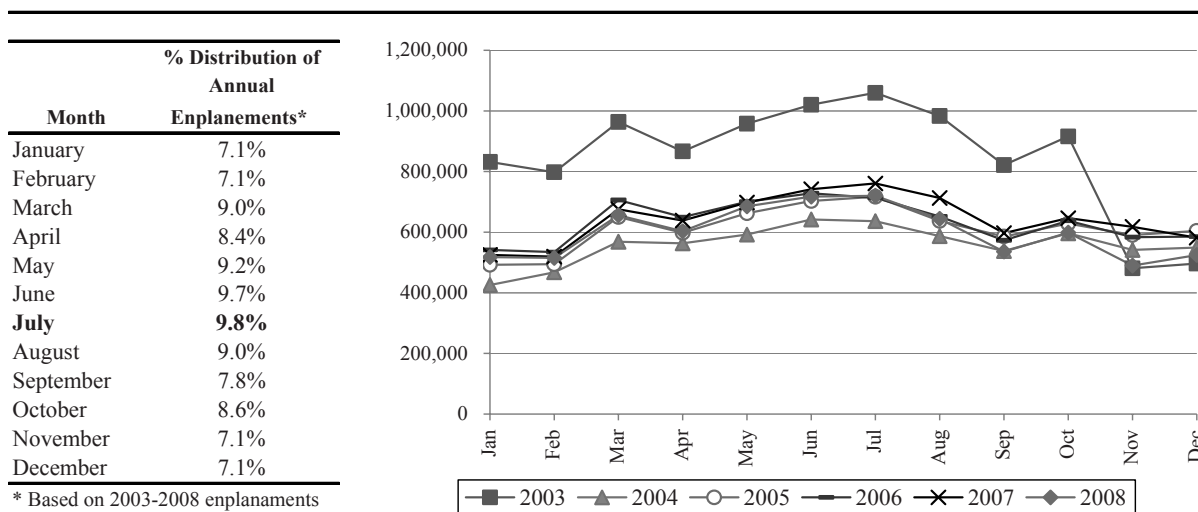


- The Airport had a net loss of one mainline carrier between 2004 and 2008. American Trans Air began service in 2007, while Continental and America West ended service in 2006 and 2007, respectively.

Passenger traffic has been recovering gradually since 2004. Annual enplanements increased 9.8 percent in 2005, 3.3 percent in 2006, and 1.5 percent in 2007, but declined by 6.6% in 2008 as the U.S. economy entered another period of recession and airlines have responded with another round of capacity adjustments.

The figure below presents the recent enplanement trends at the Airport on a comparative monthly basis for FYs 2003 through 2008. It shows how the levels of enplanements fell following the downsizing of American Airlines' hub in 2003 and depicts the modest recovery that is now set back by the present economic recession and new rounds of air service capacity adjustments. The table also shows the seasonal pattern of air travel demand. In general, enplanement levels tend to be higher during the summer months and lower during the winter months. Between 2003 and 2008, on average, the month of July had the highest enplanement levels.

**MONTHLY ENPLANEMENTS**  
**January 2003 - December 2008**



Source: Airport management records.

The City prepares annually a rolling five-year capital improvement program. The FY 2008 – FY 2012 CIP addresses Airport management's current project initiatives, which consist largely of reconstruction and modernization of existing Airport facilities and infrastructure, including the funding for Phase I of the Airport Experience Program (AEP). The AEP, which is estimated at approximately \$70.6 million and represents one of the key projects in the FY 2008 – FY 2012 CIP, consists of restoring and modernizing the facilities and improving the functionality of the Main Terminal and its concourses. Many of the projects in the CIP will be undertaken only if and when federal funding becomes available.



The total estimated cost of the new CIP is \$334.5 million and is expected by the City to be financed largely with equity resources—AIP grants, Transportation Security Administration (TSA) grants, PFC resources, and Airport Development Fund moneys. In addition, the City plans to fund the remaining portion of the CIP with a portion of the proceeds from the sale of the Series 2009 Bonds estimated at \$129.9 million par value.

In May 2004 the City established its commercial paper program (CP program) to finance capital expenditures at the Airport. The commercial paper (CP) is issued under the terms of a Commercial Paper Indenture of Trust, dated May 1, 2004 between the City and UMB Bank, N.A., as trustee (the CP Indenture) and is payable from draws under a direct pay letter of credit (LOC) issued by the JP Morgan Chase Bank (the Bank). Reimbursement by the City of draws under the LOC, the rights and remedies of JP Morgan Chase and related matters are governed by the terms of the Reimbursement Agreement dated May 1, 2004 between the City and JP Morgan Chase. The LOC issued by the Bank will expire on May 26, 2010.

On April 27, 2009 the City issued \$24 million of CP, the proceeds of which were available, if necessary, to fund a portion of the FY 2008 – FY 2012 CIP. The \$24 million of CP matured on April 30, 2009. The CP, together with interest accrued thereon, was paid by a draw under the LOC. As permitted by the Reimbursement Agreement, the City did not immediately reimburse the Bank for the draw under the LOC but opted instead to have the draw convert to a loan (the Loaned Advance) to the City from the Bank. The City intends to prepay the Loaned Advance in whole, together with interest accrued thereon, no later than the closing of the Series 2009 Bonds.

The Series 2009 Bonds are issued pursuant to an Indenture of Trust, dated as of October 15, 1984, as amended and restated by the Amended and Restated Indenture of Trust, dated as of July 1, 2009, as amended and supplemented, including by the Sixteenth Supplemental Indenture dated July 1, 2009 (collectively the Indenture). The Series 2009 Bonds are limited obligations of the City secured by and payable solely from (1) GARB Revenues (as defined in the Indenture), (2) Pledged PFC Revenues (as defined in the Indenture), and (3) any other available moneys deposited with the Trustee for deposit in the Revenue Fund (collectively, the Revenues).

The Series 2009 Bonds will be subject to the Additional Bonds Test. As a condition for the issuance of Additional Bonds, the Indenture requires that the following documents be prepared and delivered to the Trustee:

An Accountant's Certificate setting forth (a) for any 12 consecutive calendar months out of the 18 months next preceding the authentication and delivery of such Series of Bonds, the Net Revenues for such 12-month period, and (b) the Aggregate Adjusted Debt Service for such 12-month period, and demonstrating that for such 12-month period Net Revenues equaled at least 1.25 times the Aggregate Adjusted Debt Service;



A certificate of the Airport Consultant setting forth for each of the three Airport Fiscal Years following the Airport Fiscal Year in which the Consulting Engineers estimate the Project or any Additional Project will be completed, estimates of (a) Net Revenues and (b) amounts to be deposited from Revenues into the Debt Service Reserve Account, the Renewal and Replacement Fund, and the Development Fund; and

A certificate of an Authorized Officer of the City setting forth (a) the estimates of Net Revenues, as set forth in the certificate of the Airport Consultant..., (b) the estimates of the amounts to be deposited in certain funds and accounts from Revenues as set forth in the certificate of the Airport Consultant..., and (c) the Aggregate Adjusted Debt Service, determined after giving effect to the issuance of such Additional Bonds and including the Aggregate Debt Service...with respect to future Series of Bonds, if any, [estimated to be] required to complete payment of the Cost of Construction of the Project..., and demonstrating that the estimated Net Revenues in each of the Airport Fiscal Years set forth in (a) above is at least equal to 1.25 times Aggregate Adjusted Debt Service for the corresponding Airport Fiscal Year.

These provisions are referred to as the Additional Bonds Test. This Report has been prepared in part to assist the City in complying with the provisions of the Additional Bonds Test.

The City and the scheduled passenger airlines serving the Airport have each entered into a substantially similar Airline Use and Lease Agreement (AUA) that governs, among other things, airline use and occupancy of Airport facilities and the calculation of airline rates and charges.

The term of the AUA extends to June 30, 2011. The AUA provides that terminal rental rates are to be calculated under a “compensatory” rate methodology and landing fees are to be calculated under a “cost center residual cost” rate methodology.

In addition, the AUA has a provision intended to provide the airlines serving the Airport with some relief on the current landing fee due to the significant reduction in air traffic activity during recent years. In order to mitigate future increases in landing fee rates and to provide a more cost-effective operating environment for airlines serving St. Louis, the City included a provision in the AUA to provide up to \$40 million from internal resources of the Airport for landing fee rate mitigation over the five-year period, FY 2007 through FY 2011. To date the airlines have received a total of \$11 million dollars of rate mitigation from this program, in the amounts of \$6 million in FY 2007 and \$5 million in FY 2008. However, due to the current forecasted landed weight activity for the remainder of the current AUA, no additional rate mitigation is expected to be earned by the Airlines. The financial forecast shown in Section V of this Report was prepared based on this assumption.

This Report is organized into the following sections:

- |            |   |
|------------|---|
| Section I  | <b>Introduction</b> – Background information regarding the Airport, Airport governance and an overview of the capital programs. |
| Section II | <b>Plan of Finance</b> – An overview of the purpose and elements of the Series 2009 Bonds.                                      |





Section III	<b>The Economic Base of the Airport</b> – A discussion of the demographic and economic characteristics of the Airport's service area in order to assess the potential for future growth in local (O&D) passenger demand.
Section IV	<b>Analysis and Forecast of Aviation Activity</b> – A discussion of recent trends in air traffic activity and forecasts of future air traffic demand at the Airport.
Section V	<b>Financial Analysis</b> – A discussion of the framework for the operation of the Airport (including the Indenture and the AUAs), the sources of Revenues and the components of Operation and Maintenance Expenses, and forecasts of Revenues, Operation and Maintenance Expenses, Net Revenues, the application of Revenues to the funds and accounts established by the Indenture, and debt service coverage.

### Major Assumptions

The financial forecasts presented in the Report are based on the following major assumptions:

1. The City will complete all projects in the FY 2008 – FY 2012 CIP by the end of FY 2012.
2. American will continue to operate a secondary hub at the Airport throughout the forecast period; however, as announced on June 11, 2009, the airline will implement additional service reductions effective August and November 2009.
3. The FAA will fulfill the terms of the federal grants (AIP, TSA and Stimulus grants) as part of the overall funding of the FY 2008 – FY 2012 CIP.
4. The method of calculating rates under the AUA, which expires June 30, 2011, will be continued for the remainder of the forecast period through 2015, except for the rate mitigation program that expires as of June 30, 2011.
5. No additional moneys will be earned by the Airlines from the rate mitigation program for the remaining three fiscal years of the AUA including FY 2009 – FY 2011.
6. There will be no disruption or loss of service resulting from a terrorist or any other catastrophic event.

These and other important assumptions underlying the forecasts of air traffic activity, Revenues, and Operation and Maintenance Expenses are set forth in Sections IV and V.



## Findings and Conclusions

The summary table on page 9 summarizes the principal findings of the financial forecasts. The financial analysis was completed for two scenarios of forecast enplanement growth at the Airport: base case and low case. The enplanement forecasts incorporate the effect of airline capacity adjustments in FY 2009 and FY 2010 reflected in published airline schedules. Enplanements are assumed to decrease by half as much as the percentage decrease in total scheduled seats, with some improvement in boarding load factors offsetting some of the capacity cuts. The base and low case forecast scenarios differ beginning in FY 2010 in expectation with respect to the impact of the recently announced additional capacity cuts by American effective August and November 2009.

***Base case (most likely) – This case assumes that STL would lose all connecting enplanements on eliminated flights and a few nonstop O&D enplanements on eliminated flights to destinations retaining less than 50% or none of the nonstop service currently received. The most-likely scenario implies that much of the O&D traffic would be recaptured by remaining service, and boarding load factors would improve on remaining flights by American and other airlines.***

As indicated in the Report and the Sensitivity Summary table, Net Revenues are forecast to exceed 1.25 times Aggregate Adjusted Debt Service in the first three Airport Fiscal Years following the estimated date of completion of the last Series 2009 Bond funded project in the FY 2008 – FY 2012 CIP, thereby satisfying the Additional Bonds Test for the base case.

The summary table also summarizes the financial projections for the low case scenario and compares them to the base case results.

***Low case scenario (worst) – This case assumes that STL would lose all the enplanements, O&D and connecting, on the flights to be eliminated. It implies that none of the O&D traffic on flights to be eliminated would be recaptured by remaining service.***

The low case results in the Airport meeting the debt coverage requirements of 1.25 for the Additional Bonds Test period (assuming certain cost reductions in the event the American Airlines' low case scenario is realized, as more fully described in Part V of the Report).

In addition, based on our knowledge of comparable airports and our experience in providing financial consulting services to a variety of airports, we believe the forecasted airline costs per enplaned passenger, while considerably higher than those recorded in the years prior to the completion of the new runway and the recent industry pullback due to the current recession, are reasonable in comparison with other major airports that have completed or are currently implementing major capital improvement programs.

The financial forecasts presented in this Report are based on information and assumptions that have been provided by Airport management, or developed by us and reviewed with and confirmed by Airport management. Based upon our review, we believe that the information is accurate and that the assumptions provide a reasonable basis for the forecasts.



Mr. Richard Hrabko  
June 30, 2009  
Page 8

Finally, some variation from the forecasts is inevitable due to unforeseen events and circumstances, and these variations may be material. The Report should be read in its entirety for an understanding of the forecasts and the underlying assumptions.

We appreciate the opportunity to assist the City on this important financing program for the Airport.

Sincerely,

UNISON CONSULTING, INC.

*Unison Consulting, Inc.*



**SENSITIVITY ANALYSIS - SUMMARY TABLE**

Lambert St. Louis International Airport  
For Fiscal years Ending June 30  
(in thousands)

	2013		2014		2015	
	Base Case	Low Case	Base Case	Low Case	Base Case	Low Case
Airline Revenues	\$95,116	\$93,000	\$95,961	\$93,516	\$97,041	94,667
Signatory Enplaned Passengers	6,796	6,615	7,034	6,847	7,240	7,048
Airline Cost Per Enplanement	\$14.00	\$14.06	\$13.64	\$13.66	\$13.40	\$13.43
Signatory Landing Fee Rate	\$8.23	\$8.11	\$7.99	\$7.88	\$7.84	\$7.72
Net Revenues	\$103,309	\$103,061	\$103,936	\$103,395	\$106,644	106,201
Aggregate Debt Service	\$80,453	\$80,453	\$80,306	\$80,306	\$80,754	80,754
Debt Service Coverage	1.28	1.28	1.29	1.29	1.32	1.32

Source: Unison financial model



# LAMBERT-ST. LOUIS INTERNATIONAL AIRPORT

## Financial Feasibility Report The City of St. Louis, Missouri Airport Revenue Bonds, Series 2009

June 30, 2009

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## SECTION I INTRODUCTION

The City of St. Louis (the City) has embarked on a 5-Year Capital Improvement Program (FY 2008 – FY 2012 CIP) focused on improving the terminal facilities and other support facilities at the Lambert-St. Louis International Airport (Airport or STL).

This report addresses the financial aspects of implementing the FY 2008 – FY 2012 CIP and, in particular the proposed issuance of the City of St. Louis, Missouri, Airport Revenue Bonds, Series 2009A-1, (Lambert-St. Louis International Airport) (the Series 2009A-1 Bonds) and the Airport Revenue Bonds, Series 2009A-2 (the Series 2009A-2 Bonds), (collectively known as the Series 2009 Bonds). The Series 2009 Bonds are being issued to finance a portion of the FY 2008 – FY 2012 CIP. The Series 2009 Bonds are issued pursuant to an Indenture of Trust, dated as of October 15, 1984, as amended and restated by the Amended and Restated Indenture of Trust dated as of July 1, 2009, as amended and supplemented, including by the Sixteenth Supplemental Indenture of Trust, dated as of July 1, 2009 (collectively referred to as the Indenture).

This Report is comprised of the following sections:

- **Section I** : Review of the Airport structure and governance and an overview of the Airport's capital improvement program, including the FY 2008 – 2012 CIP;
- **Section II**: Discussion of the proposed financing plan for the FY 2008 – 2012 CIP;
- **Section III**: Discussion of the economic base supporting the Airport;
- **Section IV**: Review and discussion of the historical and forecasted airline traffic activity; and
- **Section V**: Overview of the Airline Use and Lease Agreement (AUA) and an analysis of the historical and projected financial results of the Airport's operations.

### A. AIRPORT FACILITIES

Located in St. Louis County, approximately 15 miles northwest of downtown St. Louis, the Airport is situated approximately 10 miles from the St. Louis metropolitan area. The Airport is comprised of approximately 3,600 acres of land following the completion of the new runway in April 2006.

The Federal Aviation Administration (FAA) classifies the Airport as a medium hub airport. A medium hub airport is defined as an airport that enplanes between 0.25 and 1.0% of the total passengers in the United States in a calendar year. In CY 2008, the Airport enplaned approximately 7.2 million passengers, which accounted for approximately 0.97% of total U.S. enplanements. The Airport Council International (ACI) preliminary CY 2008 report ranked the

Airport as 31st nationwide in terms of total passengers and 39th nationwide in terms of aircraft operations.<sup>1</sup>

The Airport has four runways and an extensive taxiway system. The largest commercial aircrafts can use the primary runways, 12R-30L, 12L-30R and 11-29 without restrictions. The newest runway, Runway 11-29, was completed in April 2006 and allows the Airport to achieve simultaneous take-offs and landings with Runway 12L-30R during instrument flight rule (IFR) conditions. All runways, including Runway 6-24 (crosswind runway), have sufficient length to handle most types of aircraft that currently serve the Airport.

The airfield has over 15 miles of 75-foot-wide concrete taxiways and four concrete holding pads. Approximately 49 acres of concrete apron provide space for aircraft parking, servicing and refueling by scheduled commercial air carriers. In addition, another approximately 17 acres are leased to two fixed-base operators and used by general aviation aircraft.

Terminal facilities consist of the West and East Terminals. The West Terminal contains approximately 1.1 million usable square feet of building space and is comprised of the Main Terminal and four concourses (Concourses A,B,C and all but the four eastern most gates in Concourse D) with 69 aircraft gates in mixed configuration. In December 2008 Airport management decided to mothball Concourse D due to the recent downturn in passenger traffic. The East Terminal has approximately 330 thousand usable square feet of building space with 16 narrowbody aircraft gates in use, in which nine are currently leased by Southwest and seven are City Gates operated by Airport Terminal Services.

Currently, the Airport has 8,786 public parking spaces available consisting of 4,883 long-term, 2,910 short-term and 993 intermediate public parking spaces. Long-term public parking is comprised of the Cypress Lot, which contains 3,174 spaces, and four (4) other long-term lots located at various locations on Airport property. Short-term public parking consists of 2,017 spaces in the newly renovated Main Terminal garage, which is adjacent to the Main Terminal, and 893 spaces in the East Terminal parking garage. The 993 intermediate public parking spaces are located in a surface lot immediately behind the Main Terminal garage. As mentioned previously, the Main Terminal garage underwent an extensive renovation that was completed in April 2008 totaling approximately \$19.8 million.

MetroLink, the metropolitan area's light rail system, currently serves the Airport with two stations—one at the East Terminal and the other at the Main Terminal. Both provide another mode of transportation for the traveling passengers.

The other Airport facilities owned by the City include five airline cargo buildings, eleven shops and service buildings, an office building, office/hangers for American Airlines, Trans States Airlines, and the Signature Flight Support (formerly Midcoast Aviation). The City also owns Boeing's former production facilities and grounds, for which it is currently pursuing development opportunities. In addition, Federal Express, United Parcel Service (UPS), and various freight forwarders lease space in a privately developed cargo facility situated on a 31-

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<sup>1</sup> Preliminary ACI Traffic Data for CY 2008.

acre site. This complex includes a 100,000 square foot cargo building and a 448,000 square foot aircraft parking apron. In January 2000, UPS opened a new 18,000 square foot cargo warehouse facility adjacent to a 200,000 square foot aircraft parking apron. There are other structures at the Airport not owned by the City, which include Boeing's current production facilities, St. Louis Air Cargo Services, Inc.; and the Missouri Air National Guard.

## **B. AIRPORT GOVERNANCE**

The Airport is owned by the City and operated by the City of St. Louis Airport Authority (the Authority). The City is governed by a charter under the Constitution and the laws of the State of Missouri. The Mayor serves as Chief Executive Officer of the City and the Comptroller serves as the Chief Fiscal Officer. Both are elected to four-year terms<sup>2</sup>. The Board of Aldermen, consisting of a President and 28 Aldermen who serve four-year terms, is the legislative body of the City. The Mayor, the Comptroller and the President of the Board of Aldermen constitute the Board of Estimate and Apportionment, which is primarily responsible for the City's finances.

The Authority was created to manage the Airport by an ordinance enacted by the City's Board of Aldermen. The Director of Airports serves as the Chief Executive Officer of the Authority. The Airport Commission (the Commission) is the governing board of the Authority and is responsible for overseeing the planning, development, management, and operation of the Airport. The Commission has 17 members: the Director of Airports (acting as Chairman), the Comptroller, the President of the Board of Aldermen, the Chairman of the Transportation and Commerce Committee of the Board of Aldermen, six members appointed by the Mayor, five members appointed by the St. Louis County Executive, one member appointed by the County Executive of St. Charles, Missouri, and one by the Chairman of the County Board of St. Clair County, Illinois. The Director of Airports is supported by one Senior Deputy Director of Airports and two Deputy Directors as further described below.

With the approval of the Commission and the Board of Estimate and Apportionment of the City, the Director of Airports has the power to enter into contracts, leases and agreements for use of STL's property and facilities. Any contracts, leases and agreements with a term of more than three years must be authorized by the Board of Aldermen and, if such contract, lease or agreement relates to the construction of public works, by the City's Board of Public Service. The Director of Airports, with the approval of the Commission, has the power to establish schedules fixing all other fees and charges.

The key officials of the Airport management team are as follows:

*Richard E. Hrabko* was appointed in April 2007 as the Director of Airports and serves as the Chairman of the Airport Commission. Prior to joining the Airport, he was Director of Aviation for the Spirit of St. Louis Airport during the period 1980 to 2007. Mr. Hrabko recently announced his retirement; however he has indicated that he will remain as Director until a suitable replacement is found.

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<sup>2</sup> Both the Mayor and Comptroller were re-elected to four years terms on April 7, 2009.



*Gerard Slay* held a previous position that was upgraded in May 2007 to Senior Deputy Director of Airports. In this position, he is directly responsible for human resources, information technology, law enforcement/security, operations and maintenance. Prior to his current position, he was Deputy Director of Airports from January 2000 to May 2007, Assistant Director of Operations from December 1996 to January 2000 and Airport Building Maintenance Manager from September 1984 to December 1996.

*Susan Kopinski*, joined the Airport in February 2008 as the Deputy Director for Finance and Administration. In this newly created position, she is responsible for the following departments: Finance and Accounting, Airport Properties, and the Disadvantaged Business Enterprise (DBE) Program. Ms. Kopinski's prior airport experience includes positions as Airport Finance Director at Detroit Metro Wayne County Airport and Chief Financial Officer at Cleveland Hopkins International Airport.

*Cornell F. Mays AIA* joined the Airport in March 2008 as the Deputy Airport Director of Planning and Development. In this newly created position, he is responsible for planning, environmental, engineering design and construction. Prior to joining the Airport, Mr. Mays was Deputy Director of airports at Detroit Metro Wayne County Airport. His duties included the management of the \$2 billion capital improvement plan, including master planning, environmental mitigation projects, surface transportation, business management and capacity projects.

*Richard T. Bradley, P.E.* was promoted in February 2007 to Airport Assistant Director for Engineering from Chief Engineer for Planning and Engineering. He held the Chief Engineer position since joining the Airport in July 2001. Mr. Bradley is currently responsible for the planning and design of the Airport's capital improvement projects. Prior to joining the Airport, he held several engineering positions in the City's Board of Public Service Department from 1988 to 2001. Mr. Bradley was just recently promoted to the position of President of the City's Board of Public Service Department effective June 8, 2009.

### **C. AIRPORT CAPITAL PROGRAMS**

The City has embarked on a series of capital improvement programs to expand and improve the Airport. These programs include (1) the Airport's FY 2008-FY 2012 CIP, (2) the Airport Development Program (the ADP), and (3) the Part 150 Noise Mitigation Program. The Series 2009 Bonds are being issued to fund a portion of the FY 2008 – FY 2012 CIP, which is summarized below followed by a brief summary of the status of the remaining components of the Airport's Capital Program.

**1. FY 2008-FY 2012 CIP.** The proposed FY 2008-FY 2012 CIP, summarized in **Table I-1**, consists of projects programmed for fiscal years 2008 – 2012 and is estimated to cost \$334.5 million. The FY 2008 – FY 2012 CIP is comprised of the following major categories:

- Planning Services
- Security Enhancements
- Airfield Projects



- West Terminal projects (including the Airport Experience Program)
- East Terminal projects (including the International Area)
- Loading Bridges
- Terminal Infrastructure Improvements
- Parking and Roads projects
- Support Facilities projects

Each category of the FY 2008-FY 2012 CIP is comprised of several projects that the Airport intends to start and complete during this period. All projects contained in the FY 2008 – FY 2012 CIP that require Airline approval have been approved. The following discussion is intended to provide an overview of the projects within each category. The corresponding plan of finance is discussed in more detail in **Section II**.

*Planning Services* – This category contains six CIP projects totaling approximately \$19.1 million for the period, of which approximately \$0.4 million will be funded with a portion of the Series 2009A Bonds. The primary projects for this category are the Noise Mitigation Program, FAR Part 150 Study, Master Plan Update Phase II and the Environmental Management System.

*Security Enhancements* – This category is estimated to cost approximately \$88.4 million, with the primary project cost being for the Explosion Detection System (EDS) long-term baggage screening project totaling \$83.5million. This project was the result of new security initiatives established by the Transportation Security Administration (TSA) following the tragic events of September 11, 2001. This project received conditional pre-approval when the new AUA was executed. Section 704 of the AUA states “The City reserves the right to design and construct the Capital Improvements necessary to accommodate the in-line EDS without Majority In Interest approval and to include the Net Cost of such Capital Improvements in the Rents, Fees and Charges so long as the City applies for and obtains a commitment from the Transportation Security Administration (TSA) or other appropriate federal agencies to provide no less than 75% of the total cost of such Capital Improvement in federal grants-in-aid.” The non-grant funded portion of this project will be funded from available ADF. The remaining project in this category is the perimeter security fence which will enhance security measures by replacing the existing deteriorated fence and installing a cable guard system to prevent vehicular intrusion. The perimeter fence is scheduled to be completed in FY 2009, and the EDS in-line baggage system is scheduled for completion during FY 2012, pending receipt of the TSA grant.

*Airfield* – This category is comprised of various taxiways, roadway relocations and other airfield projects. The total project cost for this category is approximately \$101.3 million with nearly 85% related to the reconstruction of various taxiways with approximately \$2.3 million being funded from the Series 2009A Bonds. The taxiway reconstructions are essential at this time to address various pavement deteriorations created by environmental distress that was identified in a recent pavement management study conducted by the Airport. Funding for the taxiways is being provided primarily from Passenger Facility Charges (PFCs) and Federal grants. Currently, the taxiway projects are scheduled to be started and completed during the five-year period, with the remaining airfield projects being initiated sometime during FY 2011. The remaining airfield projects included in this category are Phase 2 of the McDonnell Blvd. Relocation, Glycol

Efficiency Compliance, FBO airline ramp, Glycol Tank Bypass and expansion of the existing 800 Mega-Hertz Radio System.

West Terminal – The primary project in this category is Phase I of the Airport Experience Program (AEP), which is primarily being funded with approximately \$59.5 million of the Series 2009 Bonds, including the \$17.5 million PFC enhanced Bonds. The AEP project consists of restoring and modernizing the facilities and improving the functionality of the Main Terminal and its concourses. This project represents one of Airport management's major initiatives. Phase 1 of the AEP project, which began in April, 2008, is estimated to cost \$70.6 million and consists of the renovation of the terminal and concourses, installation of an inbound baggage system, and the installation of new roadway signage. The remaining West Terminal projects are related to refurbishing two gates in Concourse B, renovating Concourse C extension for Trans States according to the signed Memorandum of Agreement (MOA) with that airline, and replacement of one of the Main Terminal escalators.

East Terminal (including International Area) – The total cost of this category is approximately \$5.7 million and consists of renovating the Airport's Federal Inspection Service area.

Loading Bridges – This project was created pursuant to the AUA and assumes the purchase of six (6) new loading bridges. The purchase of these bridges is contingent on the Airport developing an airport-wide loading bridge program. Upon establishment of a loading bridge program, the AUA provides for the amortization of the loading bridge costs along with related operations and maintenance costs, to be charged to a designated cost center that will be used to establish a per loading bridge fee as further outlined in Section 604 of the AUA.

Terminal Infrastructure – This category consists of five (5) projects totaling approximately \$26.9 million for the forecast period. One of the major projects in this category is the emergency generator project, which is being initiated to improve the deteriorating and unreliable condition of the existing generators used to support the terminal and ancillary airport structures. The remaining projects in this category address ongoing improvement of the infrastructure of the West and East Terminals' climate control system along with the replacement of an air handling unit and installation of a 1200-amp distribution panel on Concourse A.

Parking and Roads – This category contains several projects associated with the surrounding roadways and Airport grounds totaling approximately \$8.2 million. The projects are primarily resurfacing and repairing various sidewalks, roads and lots, including upgrading the traffic control system cameras and controllers, purchase and installation of two elevators for the Main Terminal parking garage, and ongoing annual major maintenance work for the Main Terminal parking garage.

Support Facilities – This final category totals approximately \$5.8 million and primarily consists of additional costs associated with the partial relocation of the Airport Authority offices, estimated at \$2.3 million. The balance of the projects is for various items such as: door replacements, bathroom upgrades, and other miscellaneous facility projects that support the Airport Authority building operations.

**2. Airport Development Program.** The ADP is based on recommendations in the Master Plan supplement that was completed in 1996 and included a 20 year planning horizon. The major element of the ADP constitutes Phase 1 and includes the construction of a parallel, 9,000 foot air carrier runway to the southwest of the existing airfield. The ADP also included other airfield improvements and other Airport infrastructure projects.

Phase I of the ADP included the planning, design and construction of a new parallel air carrier runway (11R-29L); land acquisition for the runway; Northwest land acquisition (Boeing Property); the relocation of the Missouri Air National Guard facility and certain other facilities; and infrastructure for the redevelopment of the northeast quadrant of the Airport. Phase I is substantially complete and the new runway became operational in April 2006. Based on the latest estimates, the final cost of Phase 1 of the ADP is still projected to come in slightly lower than its original estimate of \$1.11 billion.

Phase 2 of the ADP provides for certain terminal improvements and the design and construction of a new terminal. Phase 2 has been placed on hold until passenger demand warrants its reactivation. Currently, the CIP contemplates the completion of the Airport Experience Program which provides for the renovation of the terminal facilities at the Airport.

**3. Part 150 Noise Mitigation Program.** The City has been purchasing property for noise related purposes since the early 1980's. The Airport is currently in the midst of a Part 150 Noise Mitigation Program (the Part 150 Program) based on recommendations set forth in a 1987 study with a subsequent Part 150 Update that was completed in 1997. As of March 31, 2009, the City had expended approximately \$380 million for various noise mitigation measures, including (1) property acquisition, (2) purchase of avigation easements, (3) acoustical treatment of schools, (4) residential sound insulation program, (5) procurement of and upgrades to a noise management/monitoring system, and (6) relocation of the Berkeley High School Complex from the northeast quadrant of the Airport to an off-airport site. The City expects to commit an additional \$15 million for residential sound insulation over the next several years, bringing the total costs expended to \$395 million. To date, this program has been funded primarily from Airport Improvement Program (AIP) grants-in-aid, PFC resources, and Airport Development Funds (ADF). The completion of the program will depend upon the voluntary participation of the residents in the noise impacted communities and the availability of funds.

The City started a new Master Plan and Part 150 Study in FY 2009. The studies are required due to the addition of the new runway which necessitates the re-evaluation and/or updating of aviation activity requirements of the 1997 Master Plan Update and the 1987 Part 150 Study. The City must determine the current and future noise impacts based on the Airport's current operations. The studies are expected to take approximately two years to complete.

# LAMBERT-ST. LOUIS INTERNATIONAL AIRPORT

## Financial Feasibility Report

Table I-1  
For 5 Year Capital Improvement Program \_ FY 2008-2012  
Lambert - St. Louis International Airport  
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Page 1 of 2	CURRENT FUNDING PLAN									
Project / Element	Current Estimated Cost	Prior Bonds	Series 2009 Bonds	AIP Grants	Future AIP Grants <sup>2</sup>	Future TSA Grants	MoDOT Grant	PFC Resources		ADF Funds
								PFC Bonds <sup>3</sup>	Pay-As-You-Go	
<b>PLANNING SERVICES</b>										
ALP Update	517,572	0	0	374,817	0				0	142,755
FAR Part 150 Study	3,000,000	0	0	2,400,000	0				600,000	0
Master Plan Update - Phase II	3,200,000	0	0	2,400,000	0				800,000	0
Noise Monitoring System Upgrade	\$500,000		\$0		\$400,000				\$100,000	
Noise Mitigation Program	\$10,400,540		\$0	\$10,400,540	\$0				\$0	
Environmental Management System	\$1,500,000		\$0		\$1,125,000					\$375,000
	<b>\$19,118,112</b>	<b>\$0</b>	<b>\$0</b>	<b>\$15,575,357</b>	<b>\$1,525,000</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$1,500,000</b>	<b>\$517,755</b>
<b>SECURITY ENHANCEMENTS</b>										
Perimeter Security Fence	4,902,124	0	0	3,800,828	0	0		0	1,101,296	0
EDS Long-term Baggage Screening (@ 90% TSA Funding)	\$83,500,000		\$0		\$0	\$75,150,000				\$8,350,000
	<b>\$88,402,124</b>	<b>\$0</b>	<b>\$0</b>	<b>\$3,800,828</b>	<b>\$0</b>	<b>\$75,150,000</b>	<b>\$0</b>	<b>\$0</b>	<b>\$1,101,296</b>	<b>\$8,350,000</b>
<b>AIRFIELD</b>										
<b>Taxiway and Apron Pavement Projects:</b>										
Reconstruct Taxiway F (old Runway 3-31) <sup>1</sup>	16,334,453	0	0	12,250,840	0				4,083,613	0
Taxiway D from N to M and L to K	8,800,000	0		5,994,990	0				2,805,010	0
Taxiway D from RW 6-24 to TW E and from TW N to TW R	10,500,000	0	1,700,000	0	6,600,000				2,200,000	0
Taxiway S from RW6a to Taxiway D	11,200,000	0		0	8,400,000				2,800,000	0
12 Right - 30 Left Centerline Panels	\$10,000,000				\$7,500,000				\$2,500,000	
12 Left - 30 Right Centerline Panels	\$4,400,000				\$3,300,000				\$1,100,000	
Taxiway Victor/Taxiway Development <sup>1</sup>	\$10,600,000				\$7,950,000				\$2,650,000	\$0
Taxiway E Reconstruct From TWY L to J	\$9,000,000				\$6,750,000				\$2,250,000	
Resurfacing Taxiway L from F7 to F 8 <sup>2</sup>	\$325,000				\$325,000					
Taxiway V from Foxtrot to Taxiway 6-24 - Phase II <sup>2</sup>	\$4,900,000		\$0		\$4,900,000					
<b>Other Airfield Projects:</b>										
Relocation of McDonnell Blvd at East End of Airport (partial)	7,416,292	0	0	5,374,701	0				2,041,591	0
Glycol System Efficiency Compliance	160,000	0	160,000	0	0				0	0
Expansion 800Mhz Radio System	3,000,000	0	0	0	0				3,000,000	0
FBO Airline Ramp	4,500,000		450,000		0		4,050,000			
Glycol Tank Bypass	170,000									170,000
	<b>\$101,305,745</b>	<b>\$0</b>	<b>\$2,310,000</b>	<b>\$23,620,531</b>	<b>\$45,725,000</b>	<b>\$0</b>	<b>\$4,050,000</b>	<b>\$0</b>	<b>\$25,430,214</b>	<b>\$170,000</b>
<b>WEST TERMINAL</b>										
Airport Experience Program	\$70,554,500	\$5,995,000	\$41,984,319	\$0	\$0	\$0		\$17,500,000	\$0	\$5,075,181
Trans States MOA (Conc. C Ext. Renovations)	\$2,577,500		784,014							\$1,793,486
Gate B-12 Refurbish/Retro fit	\$548,679		\$0							\$548,679
Gate B-8 Loading Bridges and Modifications	\$681,705		\$0							\$681,705
Replace Roofs Concourse A,B and C	\$2,300,000		\$2,300,000							
Main Terminal Escalators MT-5 Replacement	300,000								300,000	
	<b>\$76,962,384</b>	<b>\$5,995,000</b>	<b>\$45,068,333</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$17,500,000</b>	<b>\$300,000</b>	<b>\$8,099,051</b>
<b>EAST TERMINAL (Includes International Area)</b>										
Renovate City Federal Inspection Service	5,700,000	0	0						5,700,000	
	<b>\$5,700,000</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$5,700,000</b>	<b>\$0</b>

# LAMBERT-ST. LOUIS INTERNATIONAL AIRPORT

## Financial Feasibility Report

Table I-1  
For 5 Year Capital Improvement Program \_ FY 2008-2012  
Lambert - St. Louis International Airport  
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Page 2 of 2

Page 2 of 2	Current	CURRENT FUNDING PLAN								
Project / Element	Estimated Cost	Prior Bonds	Series 2009 Bonds	AIP Grants	Future AIP Grants	Future TSA Grants	MoDOT Grant	PFC Resources		ADF Funds
								PFC Bonds <sup>3</sup>	Pay-As-You-Go	
<b>LOADING BRIDGES</b>										
West Terminal (3 bridges)	1,050,000		1,050,000							0
East Terminal (3 bridges)	1,050,000		1,050,000							0
	<b>\$2,100,000</b>	<b>\$0</b>	<b>\$2,100,000</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>
<b>TERMINAL INFRASTRUCTURE</b>										
Install 480-volt, 3-Phase 1200 Amp Distribution Panel on Concourse A	230,000	0	230,000	0	0				0	0
Replace E102 Air Handling Unit	\$375,000		\$375,000							
Climate Control System Improvements -- Phase 3	1,330,000	0	1,330,000	0	0				0	0
Climate Control System Improvements -- Phase 4	2,009,000	0	2,009,000	0	0				0	0
Emergency Generators	\$23,000,000		\$1,890,500						\$12,199,500	\$8,910,000
	<b>\$26,944,000</b>	<b>\$0</b>	<b>\$5,834,500</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$12,199,500</b>	<b>\$8,910,000</b>
<b>PARKING AND ROADS</b>										
Airport Authority Office Parking Lot Overlay	\$350,000		\$316,771							\$33,229
Repair Sidewalks on Bag Claim Drive	\$300,000		\$211,979							\$88,021
Asphalt Overlay 2 and Spot Mill - Air Cargo P Lot	\$676,000		\$628,508							\$47,492
Cell Phone Parking Lot	\$500,000	500,000	\$0							
Resurface Remaining Asphalt Areas of LIB and Air Cargo	250,000	0	214,161	0	0	0	0	0	0	35,839
Spot Slab Removal & Replacement (Terminal Roadways)	1,500,000	0	1,463,317	0	0	0	0	0	0	36,683
Repair Bridges	250,000	250,000	0	0	0	0	0	0	0	0
Upgrade Traffic Control System Cameras and Controllers	900,000	0	843,240	0	0	0	0	0	0	56,760
Brick Pavers on L.I.B. from AA offices to Cypress	150,000	0	150,000	0	0	0	0	0	0	0
Overlay of Old Natural Bridge Road / St. Andrews Lane	100,000	0	85,862	0	0	0	0	0	0	14,138
Main Terminal Garage Feeders	250,000		250,000							
Main Terminal Garage Elevator (East Bank)	1,500,000		1,443,240							56,760
Main Terminal Garage Elevator (West Bank)	1,500,000		1,500,000							
	<b>\$8,226,000</b>	<b>\$750,000</b>	<b>\$7,107,078</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$368,922</b>
<b>SUPPORT FACILITIES (Costs Allocated to Other Cost Centers)</b>										
Water Main Improvements	415,000	0	415,000	0	0	0	0		0	0
Airport Authority Relocation	2,298,171	0	0	0	0				0	2,298,171
Replace Doors, Roof and Heating at airfield maintenance bldgs	\$1,000,000		\$1,000,000							
Replace bathrooms	\$200,000		\$200,000							
Airport Office Building HVAC Equip.	\$1,500,000		\$531,351							\$968,649
Reroofing Airport Authority Building	\$361,660		\$361,660							
	<b>\$5,774,831</b>	<b>\$0</b>	<b>\$2,508,011</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$3,266,820</b>
<b>TOTAL-- 5 year CIP 2008 - 2012</b>	<b>\$334,533,196</b>	<b>\$6,745,000</b>	<b>\$64,927,922</b>	<b>\$42,996,716</b>	<b>\$47,250,000</b>	<b>\$75,150,000</b>	<b>\$4,050,000</b>	<b>\$17,500,000</b>	<b>\$46,231,010</b>	<b>\$29,682,548</b>

<sup>1</sup> PFC application was approved for impose only. Airport in the process of applying for use.

<sup>2</sup> Future AIP grants include \$5.2 million for a future stimulus grant award for two airfield taxiway projects.

<sup>3</sup> PFC portion of the Series 2009 Bonds.

Source: Airport records

## **SECTION II**

### **PLAN OF FINANCING**

This section discusses the financing plan for the FY 2008 – FY 2012 CIP. The discussion will begin with a review of the planned funding sources to be used, which will be followed by a discussion of the specific financing assumptions, including the issuance of the Series 2009 Bonds.

#### **A. FUNDING SOURCES**

The financing plan for the FY 2008 – FY 2012 CIP anticipates using the following funding sources:

- Airport Development Fund (ADF)
- Passenger Facility Charges (PFCs)
- General Airport Revenue Bonds (GARBs)
- Federal Grants
  - Airport Improvement Program (AIP)
  - Transportation Security Administration (TSA)
  - Federal Stimulus Grant (FSG)
- Missouri Department of Transportation Grant (MoDOT Grant)

Each funding source is briefly described below.

##### **1. Airport Development Fund**

The ADF represents funds that are generated from the Airport's excess operating revenues each year. The excess operating revenues represent money on hand after payment of operation and maintenance (O&M) expenses, aggregate debt service on outstanding bonds, and the replenishment of certain reserves. This money is then available to be appropriated for capital projects or for any other Airport purpose. As of April 30, 2009, the Airport had an unaudited balance of approximately \$54.1 million in the unappropriated ADF account.

It is projected that the Airport will continue to generate excess operating revenues that will flow into the ADF as discussed in more detail in Section V of this report. These amounts will be available to fund projects for the FY 2008-FY 2012 CIP or for any other airport purpose deemed appropriate by Airport management.

##### **2. Passenger Facility Charges**

In 1990, Congress authorized public airport operators to impose PFCs up to \$3.00 per eligible enplaned passenger and use the proceeds of such charges to fund airport capital improvements—primarily projects that improve airport capacity, mitigate noise, or enhance airline competition. The PFC rate has subsequently been increased to provide for the collection of up to \$4.50 per



eligible enplaned passenger. The revenue generated from PFC fees has become a major source of equity capital for financing airport projects. In fact, PFC fees are currently being imposed at most of the major airports in the United States.

The PFC revenues and the interest income earned thereon (collectively referred to as “PFC resources”) may be used in two ways: (1) to pay direct costs of FAA approved projects (referred to as “pay-as-you-go” funding) and (2) to pay debt service on bonds issued for approved PFC projects (referred to as “leveraging” the PFC revenue stream).

The FY 2008–FY 2012 CIP anticipates the use of approximately \$63.7 million of PFC resources for various improvements for the airfield and terminal. A portion of this amount, approximately \$17.5 million of PFC eligible project costs, will be funded from proceeds of the Series 2009 Bonds. Therefore, PFC revenues will be pledged to pay the debt service on bonds issued to finance PFC projects. The use of bond proceeds and the Pledge of PFC Revenues are further described below. The Airport has obtained approval under a PFC Record of Decision (R.O.D) to collect PFC revenues for all the PFC projects, although two of the projects have not received approval to use the PFC proceeds<sup>1</sup>. The Airport is currently in the process of applying for the necessary approvals to use PFC revenues for the purposes intended. The remainder of the PFC resources will be used on a pay-as-you-go basis to fund a portion of the FY 2008- FY 2012 CIP, primarily airfield taxiway improvements, terminal infrastructure improvements and planning services.

**Table II-1** shows the calculation and anticipated application of projected PFC resources during fiscal years 2009 – 2015. The projection of PFC revenues is based on the assumption that approximately 88% of Airport passenger enplanements are PFC eligible—which is supported by recent PFC revenue data collected by the Airport. The projections shown on **Table II-1** assumes a base case enplanement forecast using the \$4.50 PFC rate, which beginning in FY 2009 is projected to generate approximately \$26.3 million in annual net PFC revenues, excluding the administrative charge. The projected net PFC revenues are based on the passenger enplanement forecasts and are projected to increase to approximately \$29.0 million by the end of FY 2015.

### **3. General Airport Revenue Bonds**

The GARBs (which includes the Series 2009 Bonds) represent bonds issued by the City that are payable solely from the Revenues of the Airport as further defined in the Indenture. The City can issue additional GARBs for additional projects under the Indenture as long as the proposed GARBs can meet the Additional Bonds Test and the aggregate amount of GARBs and other applicable obligations, if any, does not exceed the City’s current authorization limit of \$3.5 billion. The Additional Bonds Test requires; 1) An Accountant’s Certificate setting forth (a) the Net Revenues of the Airport for any 12 consecutive months out of the 18 months preceding the delivery of such Additional Bonds, (b) the Aggregate Adjusted Debt Service for such 12-month

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<sup>1</sup> The Airport received the Final Agency Decision (FAD) dated November 24, 2008 approving the projects in the PFC application, including the AEP project that was approved for \$65.2 million based on \$30.2 million of project cost, \$1.8 million pay-as-you go, and the remaining amount for interest cost, cost of issuance and one year debt service reserve. At the appropriate time in the future the Airport will amend this application to reflect the revised numbers for the AEP project as well as any other adjustments required at the time.



period, and demonstrating that for such 12-month period Net Revenues equaled at least 1.25 times the Aggregate Adjusted Debt Service; and 2) A certificate of an authorized officer of the City demonstrating that, among other things, the estimated Net Revenues of the Airport for each of the three Fiscal Years following the Fiscal Year in which the Additional Project will be completed is projected to be at least equal to 1.25 times the Aggregate Adjusted Debt Service for each of such three Fiscal Years. The total par value of the Series 2009A Bonds planned to be issued is approximately \$129.9 million including the PFC enhanced bonds. The projects being funded with the Series 2009 Bonds are scheduled to be completed by the end of FY 2012.

# LAMBERT-ST. LOUIS INTERNATIONAL AIRPORT

## Financial Feasibility Report

**TABLE II-1**  
**PROJECTED PASSENGER FACILITY CHARGES**  
Lambert-St. Louis International Airport  
For Fiscal Years Ending June 31  
(in thousands)

	Approved PFC Amount	Proposed Amended PFC	Actual 2008 & Prior	Projected						
				2009	2010	2011	2012	2013	2014	2015
Projected PFC revenues										
Total enplaned passengers				6,764	6,373	6,503	6,760	7,025	7,272	7,485
Assumed percentage of enplaned passengers eligible				88%	88%	88%	88%	88%	88%	88%
PFC-eligible enplaned passengers			0	6,000	5,600	5,700	6,000	6,200	6,400	6,600
Amount of PFC charge				\$4.50	\$4.50	\$4.50	\$4.50	\$4.50	\$4.50	\$4.50
Less airline retention				(0.11)	(0.11)	(0.11)	(0.11)	(0.11)	(0.11)	(0.11)
Net PFC charge				\$4.39	\$4.39	\$4.39	\$4.39	\$4.39	\$4.39	\$4.39
Computed Net PFC revenue to Airport			\$0	\$26,340	\$24,584	\$25,023	\$26,340	\$27,218	\$28,096	\$28,974
Available PFC Resources										
Previous year's unused balance			\$0	\$39,086	\$40,222	\$25,052	\$9,429	\$2,550	\$4,609	\$10,614
Current year collections			548,604	26,340	24,584	25,023	26,340	27,218	28,096	28,974
plus: interest earned	1.0%		49,150	308	325	172	60	36	76	141
New PFC Bond Proceeds		\$17,500		17,500						
Interest on New PFC Bond	3.0%	0	0	0						
Repayment of Interim Financing		0								
			\$597,754	\$83,234	\$65,131	\$50,246	\$35,828	\$29,804	\$32,781	\$39,728
Application of Available PFC Resources										
PFC #1	\$67,934	\$57,879	57,248	210	210	105	105	105	105	
less: allowance for project deferrals/deletions			0							
PFC #2	\$75,132	\$67,032	67,032	0	0	0	0			
less: allowance for project deferrals/deletions			0							
PFC #3	\$200,258	\$200,258	200,258	0	0	0	0			
PFC # 4 (debt service on PFC-enhanced Airport Rev Bonds)	300,274		119,176	20,804	20,801	20,803	20,802	20,801	20,802	20,803
less: debt service restructured (Series 2005 Bonds)			(22,347)	(8,614)	(7,398)	(7,398)	(7,398)	(7,398)	(7,398)	(14,468)
plus: new debt service (Series 2005 Bonds)			21,937	7,353	7,353	7,353	7,353	7,398	7,398	14,466
less: debt service restructured (Series 2007A Bonds)			(9,000)	(6,000)	(6,000)	(6,000)	(13,405)	(13,404)	(13,405)	(6,336)
plus: new debt service (Series 2007A Bonds)			8,251	5,734	5,734	5,734	10,474	13,402	13,402	6,332
25% Coverage Requirement			29,504	4,819	5,123	5,123	4,457	5,200	5,200	5,200
less: return of coverage to PFC account			(29,504)	(4,819)	(5,123)	(5,123)	(4,457)	(5,200)	(5,200)	(5,200)
PFC # 4 Pay-As-You-Go <sup>1</sup>	128,028	\$70,259	57,822	3,109	3,109	3,109	3,109			
PFC #5 Pay-As-You-Go										
ADP Project Elements	71,832	\$54,200	48,746	5,454						
Terminal (FIS), Concourse & Taxiway Improvements	9,498	\$10,625	8,796	1,829						
PFC #9 Pay-As-You-Go		\$37,981		13,132	7,099	12,600	5,150			
PFC #9 PFC Bond Projects - AEP		\$17,500			7,653	3,022	3,799	3,027		
Future PFC Bond + Pay-As-You-Go <sup>2</sup>										
Airfield Maintenance Facility		\$0				0	0			
Main Terminal Escalators MT-5 Replacement		\$300			300					
Taxiway E Reconstruct From TWY L to J		\$2,250				225	2,025			
Debt Service - Series 2009 Bonds (PFC enhanced)				0	1,217	1,263	1,263	1,263	1,263	1,263
25% Coverage Requirement				0	304	316	316	316	316	316
less: return of coverage to PFC account				0	(304)	(316)	(316)	(316)	(316)	(316)
Cumulative unliquidated PFC resources			\$39,086	\$40,222	\$25,052	\$9,429	\$2,550	\$4,609	\$10,614	\$17,667

<sup>1</sup> Represents unused PFC's for the original budgeted W1W that will be spent over time on any deferred projects.

<sup>2</sup> Will be submitted on future PFC application.

Source: Airport financial records and Unison's traffic forecast.

#### **4. Federal Grants**

The Airport is using three types of federal grants to provide funding for a portion of the FY 2008 – FY 2012 CIP. Each is discussed below:

##### **a) AIP Grants**

The AIP was established by the Airport and Airway Improvement Act of 1982. This Act authorized funding for the AIP from the Airport and Airway Trust Fund for airport development and planning and noise compatibility planning programs. The AIP grant is awarded to airports in two ways: (1) Entitlement grants, which are awarded annually based on a formula applied to estimated enplanements reduced by 50% if the Airport collects a \$3.00 PFC or 75% if the Airport collects a \$4.50 PFC; (2) Discretionary grants, which are awarded for capital projects that enhance safety, security and noise compatibility. While doing so, the Airport must preserve the existing infrastructure, meet critical expansion needs, and attain compatibility with neighboring communities. During FY 2009, the Airport was awarded approximately \$22.2 million in AIP grants, which consisted of the scheduled \$13.4 million installment of the \$201.4 million Letter of Intent<sup>2</sup>. The additional AIP grants awarded during FY 2009 continue to show the Airport's ability to successfully obtain discretionary grant awards. The total amount of grants estimated to be available to finance a portion of the FY 2008 – FY 2012 CIP is approximately \$90.2 million, of which \$43.0 million has been awarded. The balance of \$47.2 million<sup>3</sup> is anticipated to be awarded by the FAA.

##### **b) TSA Grants**

The TSA, following the tragic events of September 11, 2001, created new security initiatives that were established to improve the safety of the traveling public on airplanes flown from U.S. airports. As a result, the EDS Long-Term Baggage System project was developed and is anticipated to cost \$83.5 million. The funding plan assumes a receipt of a \$75.2 million grant and the balance of the funding being appropriated from the ADF.

The Airlines and the City agreed to fund a portion of this project as part of the signed AUA effective January 1, 2006. The AUA included a conditional agreement for the City to move forward with the installation of an in-line baggage screening system to meet the new baggage screening guidelines established by the TSA. The approval was contingent upon the City receiving a TSA grant or a grant from another agency in an amount which is not less than 75% of the total project costs. The funding plan currently assumes the City will be awarded a 90% TSA grant.

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<sup>2</sup> The Letter of Intent was increased an additional \$10 million effective August 22, 2008 per the issuance of Amendment 4 by the FAA to a total of \$201.4 million.

<sup>3</sup> Includes anticipated federal stimulus grant totaling \$5.2 million from the American Recovery and Reinvestment Act of 2009.

**c) Stimulus Grants**

On February 13, 2009 Congress passed the American Recovery and Reinvestment Act of 2009 (the Recovery Act). The Recovery Act was created to help stimulate the economy in various ways in the face of the current economic crisis. Part of the Recovery Act enables the Secretary of Transportation to award grants for discretionary projects as authorized by subchapter 471 and 475 of title 49 of the United States Code.

Airport management has identified two distinct airfield projects totaling approximately \$5.2 million for which funds are being requested from the Recovery Act. The FAA has indicated that the proposed projects appear to meet the requirements of the Act. However, to date the Airport has not received a written grant associated with these projects. Although these projects are part of the FY 2008 – FY 2012 CIP, in the event the anticipated grants are not received, the Airport will have the option to defer, or eliminate them, or identify other sources of funding.

**5. MoDOT Grant**

The FY 2008 – FY 2012 CIP funding includes approximately \$4.1 million for a grant anticipated from the Missouri Department of Transportation's (MoDOT) Aviation Trust Fund program. Airport management believes that the FBO airline ramp meets the eligibility criteria to be funded from the MoDOT Aviation Trust Fund program. Airport management is working with the state to obtain the necessary approvals.

**B. FINANCING PLAN FOR THE FY 2008–FY 2012 CIP**

**Table II-2** shows the estimated sources and uses of funds for the FY 2008–FY 2012 CIP. The sources include the anticipated GARB financing of the Series 2009 Bonds totaling approximately \$128.4 million in bond proceeds (including net discount). The Series 2009 Bond financing is comprised of approximately \$102.6 million to be deposited in the project fund for funding a portion of the FY 2008 – FY 2012 CIP. The financing is based on an estimated all in total interest rate of 6.61%, and includes an aggregate of \$25.8 million for a cash funded debt service reserve fund, two years of capitalized interest, costs of issuance and underwriter's discount. Other funding sources include: prior GARBS totaling \$6.7 million, ADF funds totaling \$29.7 million, PFC resources equaling \$63.7 million (including the \$17.5 million that will be a PFC leveraged portion of the Series 2009 Bonds), and federal grants totaling \$165.4 million, comprised of \$90.2 million in AIP grants (which includes \$5.1 million in anticipated federal stimulus grants), and \$75.2 million TSA grants, and a MoDOT grant estimated at \$4.1 million...

The financing plan for the FY 2008– FY 2012 CIP was developed to: (1) place maximum reliance on PFCs, federal grants and ADF equity resources and (2) minimize the issuance of GARBS. The sources of funding identified in the financing plan are further described below.

**TABLE II-2**  
**SOURCES AND USES - SERIES 2009 BONDS**  
Lambert-St. Louis International Airport  
For Fiscal Year Ending June 30  
\$ in thousands

<b><u>Sources</u></b>	<b>Amount</b>
Par Value - Series 2009 Bonds	\$129.9
Net Discount	(1.5)
Total Sources of Funds	\$128.4
<b><u>Uses</u></b>	
Project Fund Deposits <sup>1</sup>	\$102.6
<u>Other Fund Deposits</u>	
Debt Service Reserve Fund	\$12.7
Capitalized Interest	10.6
Sub-Total Other Deposits	\$23.3
Costs of Issuance	1.4
Underwriter's Discount	1.1
Total Uses	\$128.4

<sup>1</sup> Project fund deposits are net funded.

Source: Goldman, Sachs & Co.

## **1. Prior GARBS**

The Airport has committed approximately \$6.7 million of unused proceeds from prior Series 1997 and 2002 Bonds to fund a portion of the FY 2008 – FY 2012 CIP. The funds were used to primarily fund a portion of the AEP program (approximately \$6.0 million) with the balance used to fund a portion of the parking and roads projects as shown on **Table I-1**.

## **2. ADF Funding**

The Airport has committed approximately \$29.7 million of ADF money to the FY 2008– FY 2012 CIP. These funds have been allocated primarily to fund approximately \$8.4 million for the matching share for the EDS Baggage Screening project that is contingent on the Airport receiving a TSA grant, and \$8.9 million representing the remaining funding for the emergency generators. The remainder of the ADF funds committed to the CIP will fund costs relating to various other project categories, such as, the West Terminal, Parking and Roads, Planning Services and the Support Facilities.

## **3. PFCs**

The Airport anticipates committing approximately \$63.7 million of PFC resources to fund a portion of the FY 2008– FY 2012 CIP of which approximately \$46.2 million is on a pay-as-you-go basis. Nearly half of the pay as you go money is being used to provide the matching share for funding various taxiway reconstruction projects. The PFC pay-as-you-go funding will also finance a large portion of the emergency generator project. The balance of the pay-as-you-go funding will be used to pay for planning services, security enhancements and the renovation of the City's Federal Inspection Service (FIS).

Approximately \$17.5 million of PFC project cost will be funded from GARBs for which Pledged PFC Revenues are being made available to pay a portion of the Series 2009 Bonds debt service (the pledged PFC Revenues represent the portion of the PFC revenue stream which equals 1.25 times debt service on the PFC eligible portion of debt service for the Series 2009 Bonds)

## **4. GARBs**

The City plans to issue the Series 2009 Bonds to generate \$102.6 million in project fund proceeds to finance a portion of the FY 2008–FY 2012 CIP. Of the total project fund proceeds \$17.5 million will be used to fund the PFC eligible cost of certain PFC projects, \$20.3 million will be used to fund a portion of the costs of certain AIP grant funded projects for which grant reimbursements will be received after project related costs have been paid and an application for reimbursement submitted. The balance of the Series 2009 Bond project fund proceeds in the amount of \$64.8 million, will be used to fund various other portions of the FY 2008 – FY 2012 CIP including a portion of the AEP program, various terminal infrastructure projects, parking and roads, loading bridge, support facilities and, planning services.

## **5. Federal Grants**

The City has approximately \$165.4 million of federal grants planned for funding a portion of the FY 2008–FY 2012 CIP, comprised of AIP (including the stimulus grant) and TSA grants. The AIP grants totaling \$90.2 million will be used primarily for funding a portion of the various taxiway reconstruction projects, with the remaining balance of funding to be used for a portion of the planning services and security enhancements. Of the total anticipated AIP grants approximately \$43.0 million of actual award notifications have been received by the Airport. The balance of the anticipated grants has been requested by the Airport and appears to meet the FAA's criteria for funding.

Anticipated TSA grants totaling \$75.2 million will be used to fund a portion of the EDS long-term baggage screening project that was conditionally approved by the Airlines upon signing the AUA. The estimated total cost of projects is \$83.5 million. The Airlines' approval of this project is contingent on the Airport being awarded a grant equal to at least 75% of the total projects costs.

## **6. MoDOT Grant**

The Airport anticipates approximately \$4.1 million of funding from MoDOT to fund a portion of the FBO Airline ramp project that is included in the Airfield project category.

## **7. Commercial Paper Program**

In May 2004 the City established its commercial paper program (CP program) to finance capital expenditures at the Airport. The commercial paper (CP) is issued under the terms of a Commercial Paper Indenture of Trust, dated May 1, 2004 between the City and UMB Bank, N.A., as trustee (the CP Indenture) and has been payable from draws under a direct pay letter of credit (LOC) issued by the Bank. Reimbursement by the City of draws under the LOC, the rights and remedies of the Bank and related matters are governed by the terms of the Reimbursement Agreement dated May 1, 2004 between the City and the Bank. The LOC issued by the Bank will expire on May 26, 2010.

On April 27, 2009 the City issued \$24 million of CP, the proceeds of which were available, if necessary, to fund a portion of the FY 2008 – FY 2012 CIP. The \$24 million of CP matured on April 30, 2009. The CP, together with interest accrued thereon, was paid by a draw under the LOC. As permitted by the Reimbursement Agreement, the City did not immediately reimburse the Bank for the draw under the LOC but opted instead to have the draw convert to a loan (the Loaned Advance) to the City from the Bank. The City intends to prepay the Loaned Advance in whole, together with interest accrued thereon, no later than the closing of the Series 2009 Bonds.



## C. DEBT SERVICE REQUIREMENTS

**Table II-3** summarizes debt service requirements for the Series 2009 Bonds and prior outstanding bonds. Goldman, Sachs & Co., Co-Senior Manager, provided estimates of debt service requirements for the Series 2009 Bonds.

The City currently has six outstanding GARB series that include: Series 1997 Bonds, Series 1998 Bonds (which refunded a portion of the Series 1992 Bonds), Series 2001A ADP Bonds, Series 2002 CIP Bonds, Series 2002 Refunding Bonds, Series 2005 Refunding Bonds (which refunded a portion of the Series 1997 Bonds, Series 2001A ADP Bonds, and Series 2002 CIP Bonds), Series 2007A Refunding Bonds (which refunded a portion of the Series 2001A ADP Bonds and 2002 CIP Bonds), and the Series 2007B Refunding Bonds (which refunded a portion of the Series 1997 Bonds). The final payment on each series of GARBS is anticipated to be made from any available moneys in the Debt Service Reserve Account of the Bond Fund (in amounts equal to the then applicable Debt Service Reserve Requirement associated with each series).

The estimated debt service for the Series 2009 Bonds is set forth following the summary of Prior Outstanding Bonds on **Table II-3**. The portion of the debt service of the Series 2009 Bonds that will be repaid from Pledged PFC Revenues is identified separately on **Table II-3**.

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## Financial Feasibility Report

**Table II-3**  
**DEBT SERVICE REQUIREMENTS**  
 Lambert-St. Louis International Airport  
 Fiscal years Ending June 30  
 (in thousands)

	Projected						
	FY 2009	FY 2010	FY 2011	FY 2012	FY 2013	FY 2014	FY 2015
<b>AIRPORT REVENUE BONDS</b>							
<b>Outstanding Bonds</b>							
Series 1997 Bonds							
Principal	\$5,715	\$6,015	\$6,330	\$6,670	\$7,025	\$7,400	\$7,805
Interest	9,197	8,868	8,520	8,153	7,765	7,355	6,924
	\$14,912	\$14,883	\$14,850	\$14,823	\$14,790	\$14,755	\$14,729
less: debt service refunded	(\$2,940)	(\$2,937)	(\$2,930)	(\$2,930)	(\$2,921)	(\$2,918)	(\$2,911)
plus: new Series 2005 debt service	\$1,813	\$1,813	\$1,813	\$1,813	\$1,813	\$1,813	\$10,576
	(\$5,573)	(\$5,573)	(\$5,573)	(\$5,573)	(\$5,573)	(\$5,573)	(\$11,818)
plus: new Series 2007B debt service	\$5,237	\$5,237	\$5,237	\$5,237	\$5,237	\$5,237	\$11,497
	\$13,450	\$13,423	\$13,396	\$13,369	\$13,346	\$13,314	\$22,073
Series 1998 Refunding Bonds							
Principal	5,410	5,690	5,980	6,295	6,610	6,945	7,305
Interest	2,267	1,990	1,698	1,392	1,069	730	374
	\$7,677	\$7,680	\$7,678	\$7,687	\$7,679	\$7,675	\$7,679
Series 2001 ADP Bonds							
Principal - PFC Elements (Leveraged)	\$6,370	\$6,705	\$7,060	\$7,405	\$7,810	\$8,250	\$8,710
Interest - PFC Elements (Leveraged)	14,434	14,096	13,743	13,397	12,991	12,552	12,093
Principal - Other Elements	4,420	4,660	4,915	5,160	5,450	5,760	6,085
Interest - Other Elements	7,464	7,221	6,965	6,719	6,429	6,122	5,798
	\$32,688	\$32,682	\$32,683	\$32,681	\$32,680	\$32,684	\$32,687
less: debt service restructured	(\$17,318)	(\$16,098)	(\$16,097)	(\$10,936)	(\$10,936)	(\$10,936)	(\$24,091)
plus: new Series 2005 debt service	\$12,032	\$12,032	\$12,032	\$12,032	\$12,662	\$12,657	\$19,098
	(\$9,180)	(\$9,180)	(\$9,180)	(\$21,745)	(\$21,744)	(\$21,748)	(\$8,595)
plus: new Series 2007A debt service	\$8,745	\$8,745	\$8,745	\$17,415	\$21,737	\$21,740	\$8,585
	\$26,967	\$28,181	\$28,184	\$29,448	\$34,399	\$34,398	\$27,684
Series 2002 CIP Bonds							
Principal	2,140	\$2,250	\$2,360	\$2,475	\$2,700	\$2,700	\$2,840
Interest	4,760	4,648	4,538	4,424	4,196	4,196	4,059
	\$6,900	\$6,898	\$6,898	\$6,899	\$6,896	\$6,896	\$6,899
less: debt service restructured	(\$1,781)	(\$1,780)	(\$1,092)	(\$135)	(\$135)	(\$135)	(\$135)
plus: new Series 2005 debt service	\$549	\$549	\$549	\$549	\$549	\$549	\$549
	(\$2,784)	(\$2,784)	(\$2,784)	(\$2,784)	(\$2,784)	(\$4,614)	(\$4,615)
plus: new Series 2007A debt service	\$2,618	\$2,618	\$2,618	\$2,618	\$2,618	\$4,193	\$4,615
	\$5,503	\$5,502	\$6,189	\$7,148	\$7,145	\$6,890	\$7,313
Series 2002 Refunding Bonds (1992)							
Principal	955	\$1,000	\$1,055	\$1,110	\$1,170	\$1,240	\$1,305
Interest	429	378	323	265	204	140	72
	\$1,384	\$1,378	\$1,378	\$1,375	\$1,374	\$1,380	\$1,377
Series 2003A Refunding Bonds (2000)							
Principal	\$4,880	\$5,120	\$5,385	\$5,675	\$5,940	\$6,185	\$6,475
Interest	2,975	2,752	2,494	2,215	1,919	1,682	1,434
	\$7,855	\$7,872	\$7,879	\$7,890	\$7,859	\$7,867	\$7,909
<b>Total -- Outstanding Bonds - Prior Bonds <sup>1</sup></b>	<b>\$62,836</b>	<b>\$64,036</b>	<b>\$64,705</b>	<b>\$66,917</b>	<b>\$71,804</b>	<b>\$71,524</b>	<b>\$74,035</b>
Series 2009 CIP Bonds							
Principal - PFC Elements (Leveraged)		\$0	\$0	\$0	\$0	\$0	\$0
Interest - PFC Elements (Leveraged)		1,217	1,263	1,263	1,263	1,263	1,263
	\$0	\$1,217	\$1,263	\$1,263	\$1,263	\$1,263	\$1,263
Series 2009 CIP Bonds							
Principal - Other Elements		\$5,955	\$8,940	4,135	\$1,740	\$1,960	\$0
Interest - Other Elements		927	723	5,822	5,646	5,559	5,456
	\$0	\$6,882	\$9,663	9,957	7,386	7,519	5,456
<b>Total -- Series 2009 Bonds</b>		\$8,099	\$10,926	\$11,220	\$8,649	\$8,782	\$6,719
<b>TOTAL -- ALL AIRPORT REVENUE BONDS <sup>1</sup></b>	<b>\$62,836</b>	<b>\$72,135</b>	<b>\$75,631</b>	<b>\$78,136</b>	<b>\$80,453</b>	<b>\$80,306</b>	<b>\$80,754</b>

<sup>1</sup> Excludes capitalized interest

Source: Prior outstanding bond debt service based on Airport records and Series 2009 provided by Goldman Sachs & Co.

### SECTION III

## THE AIRPORT'S LOCAL ECONOMIC BASE

The demographic and economic characteristics of an airport's service area influence the demand for air travel, particularly origin and destination (O&D) traffic. Local factors such as population, employment, income, and business environment, as well as the location of competing airports, are important drivers of O&D traffic. Changes in these characteristics are often reflected in passenger air traffic trends. This section describes the air service area of Lambert-St. Louis International Airport (STL or the Airport), and reviews relevant local economic and demographic trends.

#### A. AIR SERVICE AREA

The primary service area of the Airport is the St. Louis Metropolitan Statistical Area (MSA). STL is located in the heart of the St. Louis MSA, which is comprised of portions of two states – Missouri and Illinois. The U.S. Census Bureau defines MSAs on a county-basis, and the STL MSA consists of 16 counties plus St. Louis City, as listed in **Table III-1**.

**TABLE III-1**  
**CONSTITUENT COUNTIES OF THE ST. LOUIS**  
**METRO AREA**

Missouri	Illinois
Crawford County, MO	Bond County, IL
Franklin County, MO	Calhoun County, IL
Jefferson County, MO	Clinton County, IL
Lincoln County, MO	Jersey County, IL
St. Charles County, MO	Macoupin County, IL
St. Louis County, MO	Madison County, IL
Warren County, MO	Monroe County, IL
Washington County, MO	St. Clair County, IL
St. Louis City, MO	

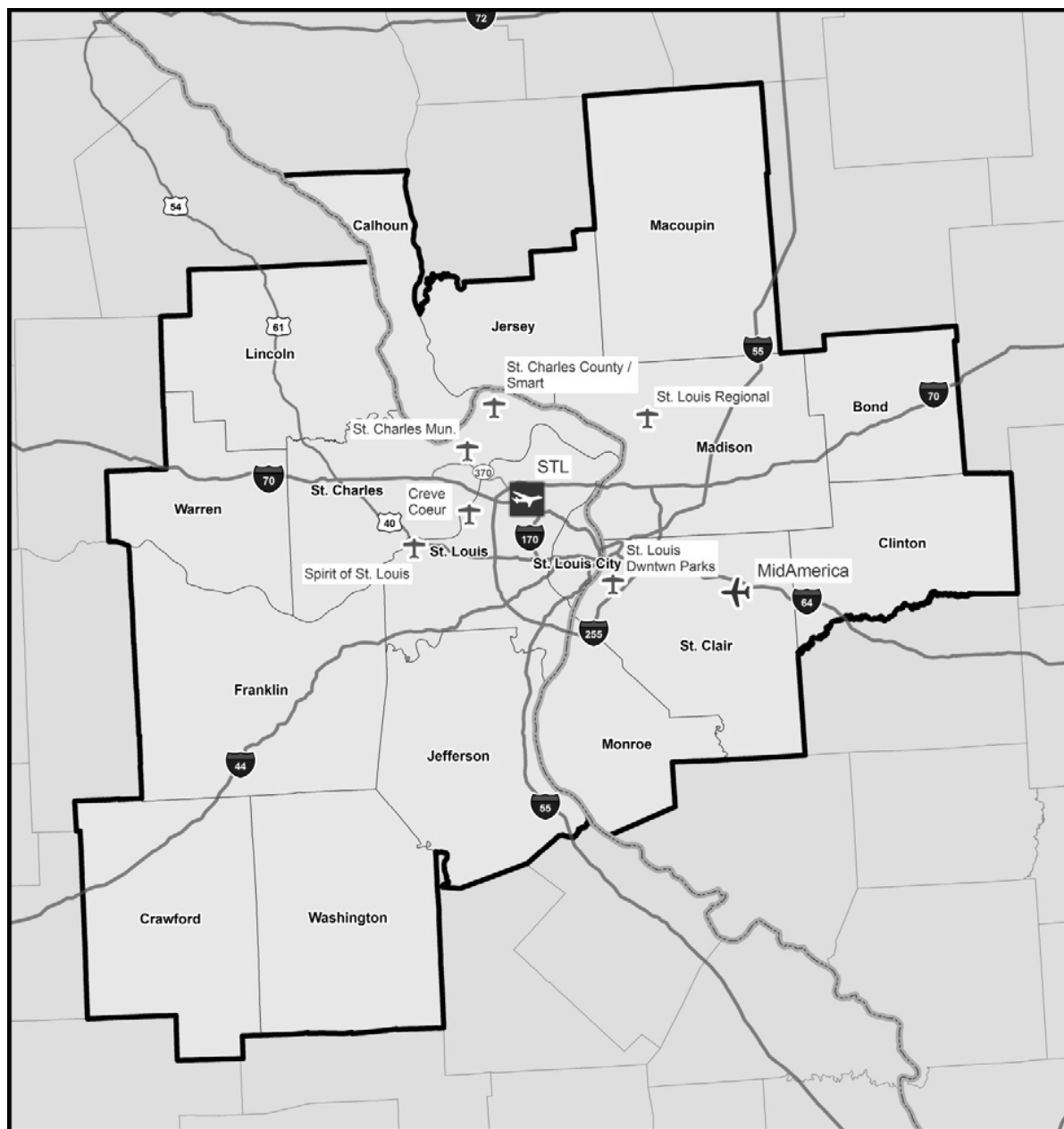
Source: U.S. Census Bureau.

**Figure III-1** shows the MSA, its constituent counties, the regional highway network, and local airports. The area's central location – both in population and geography – is a key advantage, offering fast access to domestic and international markets. St. Louis is within 500 miles of one-third of the U.S. population and within 1,500 miles of 90 percent of the people in North America.<sup>1</sup> Interstate highways I-70, I-44, I-55, I-64, along with connecting beltways and other state and federal highways, provide access to the Airport from within the MSA and beyond. The MetroLink system, which includes bus and light-rail service, offers additional low-cost connections between the Airport and other areas of the region.

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<sup>1</sup> St. Louis Regional Chamber & Growth Association in [www.stlrcga.org](http://www.stlrcga.org).

**FIGURE III-1  
THE ST. LOUIS METROPOLITAN AREA AND AIRPORTS**



Prepared by Unison Consulting, Inc.  
Source: ESRI.

As the figure above shows, STL is the only major commercial airport in the MSA. Six other airports – Spirit of St. Louis (SUS), St. Louis Downtown Parks (CPS), St. Louis Regional (ALN), St. Charles Municipal (3SQ), St. Charles County/Smart (SET) and Creve Coeur (1H0) are identified by the FAA as reliever airports. These airports do not have runways long enough to accommodate large commercial aircraft. A seventh airport, MidAmerica Airport (BLV) in St.

Clair County, IL, located near Scott Air Force Base, can accommodate commercial passenger service but has none at present.

The core of Lambert-St. Louis International Airport's primary service area is fairly distinct from the core service areas of the closest major commercial airports, but there are a number of STL passengers who fly to short-haul destinations served by alternative transportation modes:

- The core of STL's air service area is relatively isolated and does not overlap significantly with the service areas of other major commercial airports except along the fringes. **Figure III-2** shows the St. Louis MSA and STL in relation to other selected major commercial airports in the Midwest, and depicts the 50-, 100-, and 150-mile areas around the airport. While much of the MSA is within the 50-mile area, there are no other major airports within 200 miles of STL (see **Table III-2**). Therefore, the Airport's effective catchment area is substantially larger than the St. Louis MSA alone.
- While the core of the air service area is not close to the core service areas of other major airports in the Midwest, there are significant numbers of STL passengers flying to short-haul destinations on the fringe of the fly/drive decision point<sup>2</sup>. These customers are more likely than other travelers to choose ground transportation modes when times are hard, when airfares rise, or when the inconveniences of flying – like airport delays and long security processing times – override the speed advantage of flying. During 2007, 39.72 percent of O&D passengers departing STL flew to an airport that was 500 miles or less from the STL. Similarly, during that same period, 39.98 percent of passengers bound for STL originated within 500 miles of the airport. **Figure III-3** shows the 250- and 500-mile radii from STL and the number of outbound passengers from STL during 2007 who traveled to destinations within that 500-mile radius. As the map shows, large numbers of travelers fly to the north and the northeast destinations, such as: Chicago, Minneapolis, Cincinnati and Louisville, among other places.

Air service and passenger traffic will be discussed at greater length later in this document. The next sections examine the demographic and economic dynamics of the St. Louis metropolitan area, which represents the core of the air service area.

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<sup>2</sup> The geographic point at which people decide to drive (or take another mode of transportation) rather than fly varies widely by individual and situation. Here, we use 500 miles as a sample point of vulnerability because it is a distance that can be driven easily in a day should flight options and prices not be acceptable.

**FIGURE III-2**  
**STL AND MAJOR COMPETING MIDWESTERN AIRPORTS**



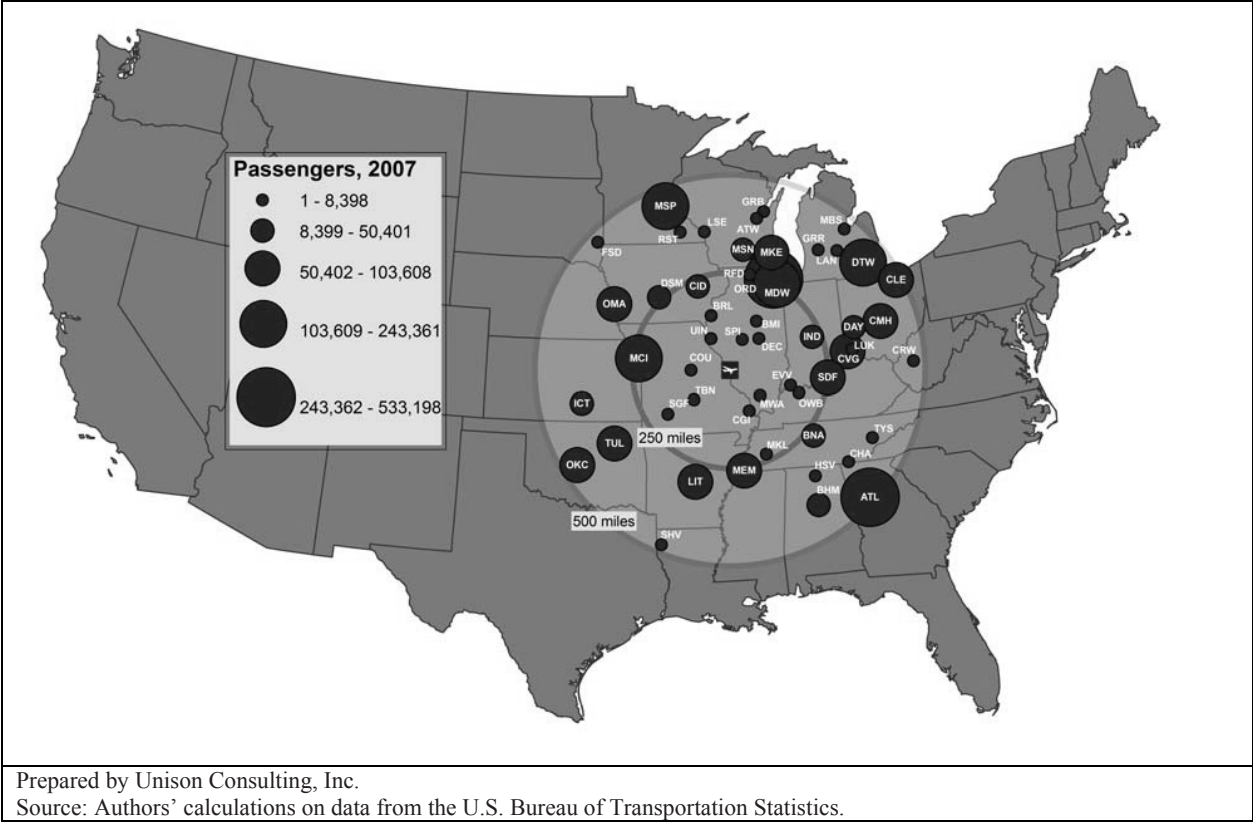
Prepared by Unison Consulting, Inc.  
Source: Authors' calculations on data from ESRI.

TABLE III-2  
APPROXIMATE DISTANCES BETWEEN STL  
AND OTHER REGIONAL AIRPORTS

Competing Airport	Distance
Indianapolis (IND)	225 miles
Kansas City (MCI)	238 miles
Chicago-Midway (MDW)	251 miles
Louisville (SDF)	251 miles
Memphis (MEM)	256 miles
Chicago-O’Hare (ORD)	258 miles
Des Moines (DSM)	259 miles
Nashville (BNA)	269 miles
Little Rock (LIT)	298 miles

Sources: U.S. Bureau of Transportation Statistics 2008 and ESRI, 2006.

FIGURE III-3  
DESTINATIONS OF PASSENGERS TRAVELING WITHIN 500 MILES OF STL, 2007





## B. POPULATION

The St. Louis MSA offers a large and stable population base:

- According to Census Bureau population estimates as of July 1, 2008, the St. Louis MSA, with a population of 2.82 million, remains the 18th largest among 364 metropolitan statistical areas in the country.
- The St. Louis MSA population has been growing – albeit at a slower rate than the populations of the states of Missouri and Illinois and the entire nation (**Table III-3**). The overall metropolitan area population growth rate (4.3 percent)<sup>3</sup> from 2000 to 2008 was lower than that of the United States (7.8 percent) and Missouri (5.5 percent), and only marginally higher than that of Illinois (3.7 percent).
- Although the overall growth rate in the St. Louis MSA is slower than the national average, several counties have grown much faster than the national average, like Lincoln County, MO, with a population growth rate of 34.4 percent; Warren County, MO, 26.3 percent; St. Charles County, MO, 22.1 percent; Monroe County, IL, 18.2 percent; and Jefferson County, MO, 9.5 percent.
- Many counties to the west of the airport have grown faster than national averages (**Figure III-4**). In contrast, St. Louis County, St. Louis City and many of the counties in Illinois that are east of the airport have grown more slowly.

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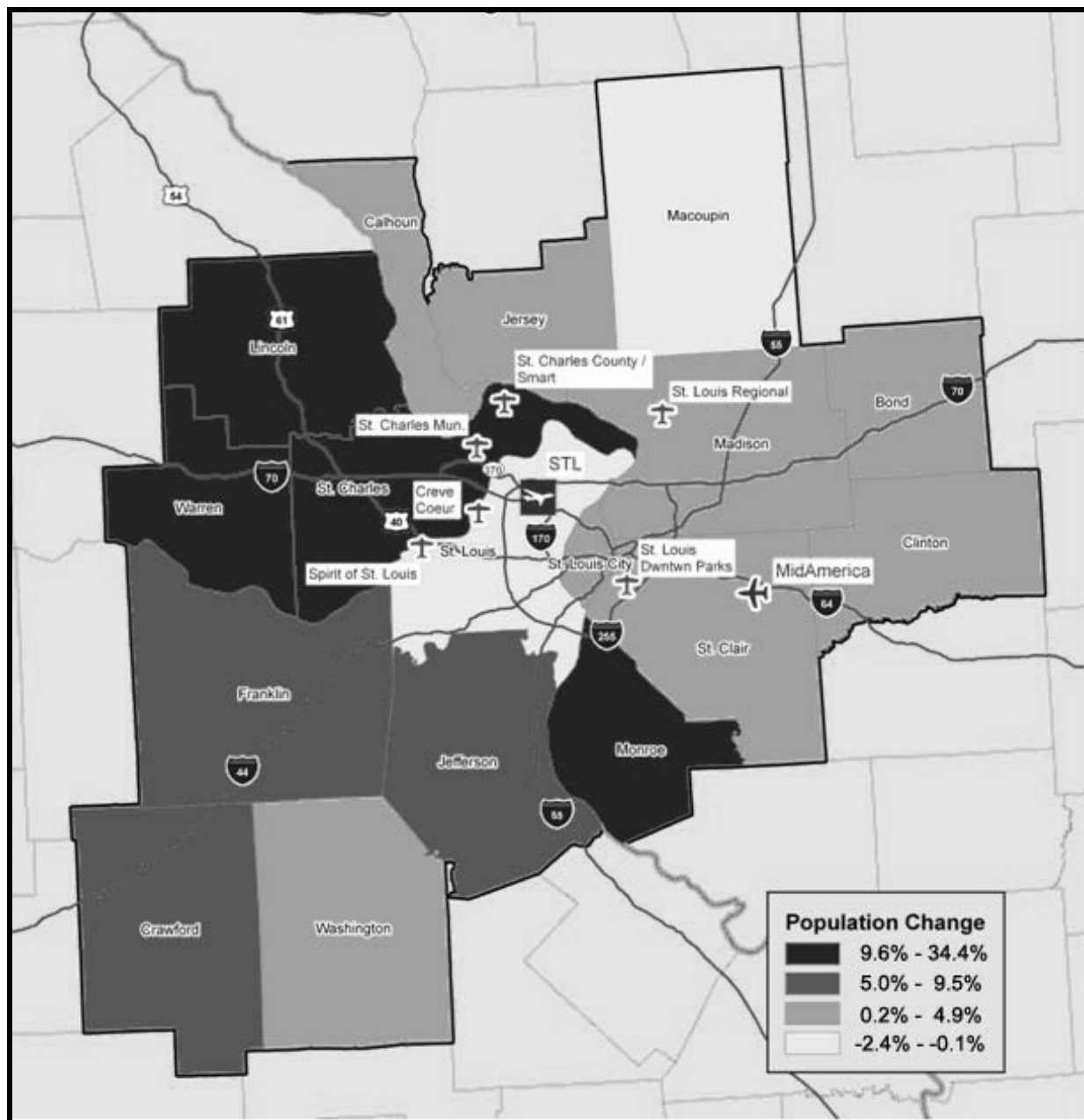
<sup>3</sup> Officially, the St. Louis MSA only includes a portion of Crawford County, MO and Census Bureau population counts at the MSA level do not include Crawford County in the calculations – resulting in a 2009 population of 2.82 million. For the purposes of this study, all of Crawford County, MO is included in the MSA, resulting in the slightly larger population figure shown in **Table III-3**.

**TABLE III-3**  
**ST. LOUIS MSA POPULATION**  
**2000 AND 2008**

<b>County/Region</b>	<b>July 1, 2000</b>	<b>July 1, 2008</b>	<b>Percent Change</b>
<b>St. Louis, MO-IL MSA</b>			
Crawford County, MO	22,831	23,970	5.0%
Franklin County, MO	94,058	100,898	7.3%
Jefferson County, MO	198,738	217,679	9.5%
Lincoln County, MO	39,256	52,775	34.4%
St. Charles County, MO	286,163	349,407	22.1%
St. Louis County, MO	1,016,330	991,830	-2.4%
Warren County, MO	24,720	31,214	26.3%
Washington County, MO	23,410	24,548	4.9%
St. Louis City, MO	346,864	354,361	2.2%
Bond County, IL	17,650	18,253	3.4%
Calhoun County, IL	5,090	5,101	0.2%
Clinton County, IL	35,529	36,711	3.3%
Jersey County, IL	21,655	22,622	4.5%
Macoupin County, IL	48,989	48,138	-1.7%
Madison County, IL	259,117	268,078	3.5%
Monroe County, IL	27,764	32,804	18.2%
St. Clair County, IL	256,204	262,291	2.4%
<b>MSA Total</b>	<b>2,724,368</b>	<b>2,840,680</b>	<b>4.3%</b>
Missouri	5,605,868	5,911,605	5.5%
Illinois	12,437,888	12,901,563	3.7%
United States	282,171,936	304,059,724	7.8%

Source: U.S. Bureau of the Census.

**FIGURE III-4**  
**POPULATION GROWTH RATES BY COUNTY (2000-2008)**  
**IN THE ST. LOUIS METROPOLITAN AREA**



Note: The overall MSA population growth rate over the period 2000-2008 was 4.3 percent. The national growth rate during the same period was 7.8 percent. Class boundaries on the map reflect these figures.

Prepared by Unison Consulting, Inc.

Source: Authors' calculations on data from ESRI.

## C. LABOR FORCE AND EMPLOYMENT

The trends in the labor force reflect the same stability observed in the population and unemployment trends observed nationwide:

- In 2008, the total labor force of the St. Louis MSA was 1,440,341, which represents an average annual growth rate of 0.4 percent since 1999 (**Table III-4**). Employed workers totaled 1,345,556, growing at an average annual rate of 0.1 percent since 1999. With employment growing at a slower rate than the labor force, the number of unemployed increased at an average annual rate of 7.7 percent to just less than 95,000 in 2008.

**TABLE III-4**  
**ST. LOUIS MSA LABOR FORCE, EMPLOYMENT, AND UNEMPLOYMENT**  
**1999-2008**

Year	Labor Force			
	Total	Employed	Unemployed	Unemployment Rate
1999	1,387,517	1,339,093	48,424	3.5%
2000	1,423,746	1,373,227	50,519	3.5%
2001	1,432,648	1,367,082	65,566	4.6%
2002	1,434,464	1,357,248	77,216	5.4%
2003	1,425,463	1,342,568	82,895	5.8%
2004	1,424,186	1,338,527	85,659	6.0%
2005	1,432,043	1,352,026	80,017	5.6%
2006	1,440,782	1,367,607	73,175	5.1%
2007	1,444,524	1,367,264	77,260	5.3%
2008	1,440,341	1,345,556	94,785	6.6%
Average Annual Growth Rate				
1999-2008	0.4%	0.1%	7.7%	--

Source: U.S. Bureau of Labor Statistics.

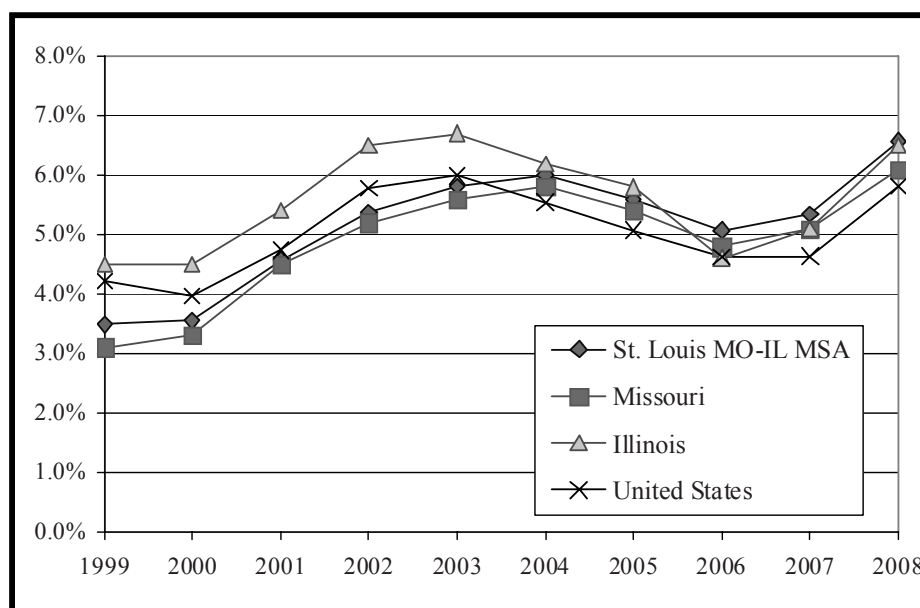
- The rise in unemployment in St. Louis in 2008 reflects a national trend of rising unemployment as the U.S. economy reached a peak and entered into a recession in December 2007.<sup>4</sup> As **Figure III-5** shows, the unemployment trend in the MSA has been closely tracking that of Missouri, Illinois, and the United States as a whole (**Figure III-5**). Over the period 1999-2008, the unemployment rate in the MSA averaged 4.3 percent – lower than average in Illinois (4.7 percent), while slightly higher than that in Missouri (4.1 percent) and the United States (4.2 percent). Although the population, labor force, and employment growth have not been as strong in the St. Louis MSA in comparison to the nation, the small differences in the unemployment rate between the St. Louis MSA and the nation indicate that

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<sup>4</sup> National Bureau of Economic Research Business Cycle Dating Committee, Determination of the December 2007 Peak in Economic Activity, December 11, 2008.

there appears to be no systematic regional disadvantage in the ability of workers to find jobs in St. Louis.

**FIGURE III-5**  
**UNEMPLOYMENT RATE IN THE ST. LOUIS MSA, MISSOURI, ILLINOIS,**  
**AND THE UNITED STATES**  
**1999-2008**

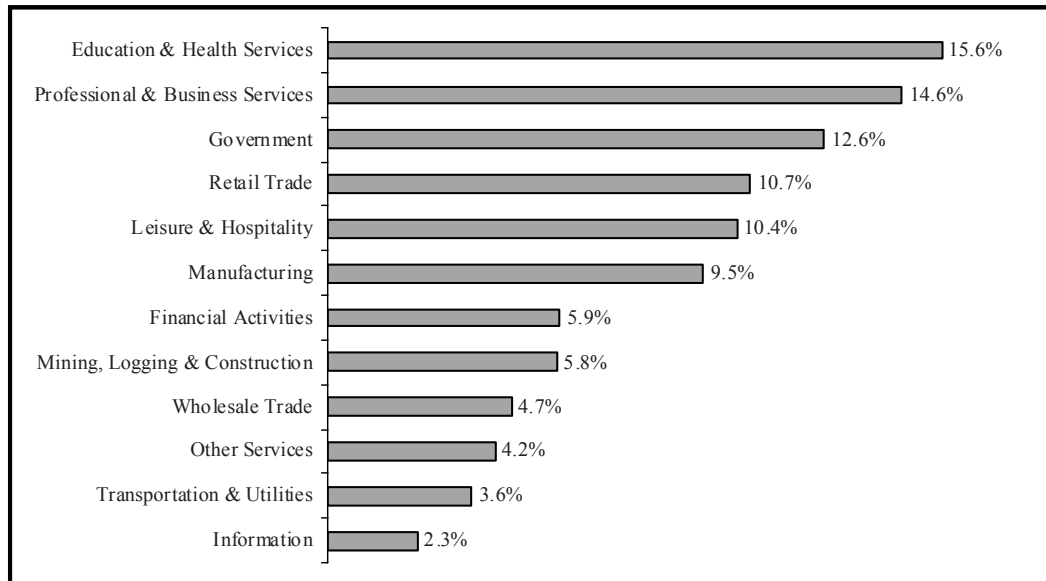


Source: U.S. Bureau of Labor Statistics.

#### **D. MAJOR EMPLOYERS**

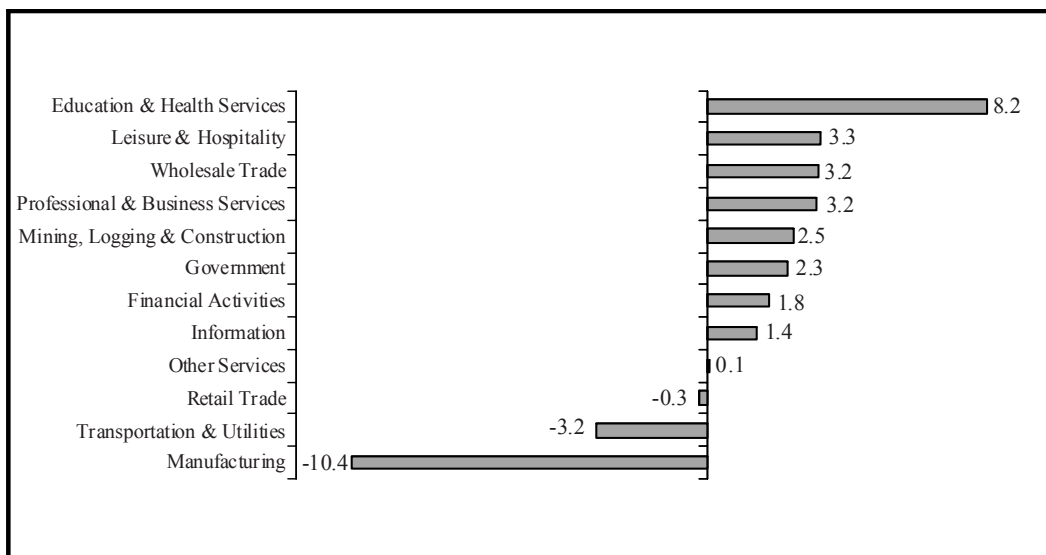
The three largest industry sectors in the St. Louis MSA are Education & Health Services, with a 15.6 percent share of total MSA non-farm employment; Professional & Business Services, 14.6 percent; and Government, 12.6 percent (**Figure III-6**). Education & Health Services is also the fastest growing sector from 1999 to 2008, followed by Leisure & Hospitality as a far second, and Wholesale Trade (**Figure III-7**). In contrast, the following industry sectors lost jobs over the same period: Manufacturing, Transportation & Utilities and Retail Trade. Manufacturing suffered the largest job loss.

**FIGURE III-6  
NONFARM EMPLOYMENT SHARE BY INDUSTRY IN ST. LOUIS MSA  
2008**



Source: U.S. Bureau of Labor Statistics.

**FIGURE III-7  
JOB GROWTH INDEX\* BY INDUSTRY IN THE ST. LOUIS MSA  
1999-2008**



\* The Job Growth Index is the ratio of an industry's percentage change in jobs to the percentage change in total jobs within a region over a given period. It measures how fast a sector is growing relative to the overall growth in the area. Sectors with a Job Growth Index greater than one are growing at an above-average rate.

Source: U.S. Bureau of Labor Statistics.

According to the RCGA, there are 38 companies with a minimum of 2,500 employees in the St. Louis MSA (**Table III-5**). Twenty-one Fortune 1000 companies have headquarters in the St. Louis MSA (**Table III-6**). Moreover, the RCGA is also facilitating the development of industry clusters in such areas as: plant and medical sciences, advanced manufacturing, information and technology, transportation and distribution, and financial services. These industry clusters are designed to be built on the existing infrastructure and workforce in new and innovative ways to take advantage of localization and agglomeration effects.

**TABLE III-5**  
**SELECTED MAJOR EMPLOYERS IN ST. LOUIS MSA, 2008**

<b>Firms by Employment Size</b>	
<b>More than 10,000 Employees</b>	
BJC HealthCare*	Boeing Integrated Defense Systems*
Schnuck's Markets, Inc.*	Scott Air Force Base*
SSM Health Care*	United States Postal Service
Wal-Mart Stores Inc.	Washington University in St. Louis*
<b>5,000 — 9,999 Employees</b>	
In-Bev Anheuser-Busch Companies, Inc.*	AT&T Communications Inc.
City of St. Louis*	Dierbergs Markets*
McDonald's	Saint Louis University*
Special School District of St. Louis*	St. John's Mercy Health Care*
St. Louis Public Schools	
<b>2,500 — 4,999 Employees</b>	
Ameren Corporation*	Bank of America Midwest Region
Covidien Imaging Solutions and Pharmaceuticals	Edward Jones*
Emerson Electric Co.*	Enterprise Rent-A-Car*
Home Depot USA Inc.	Lowe's Home Centers Inc.
Maritz Inc.	MasterCard International
Monsanto*	Rockwood School District*
Shop 'n Save Warehouse Foods, Inc.	St. Louis Community College District*
St. Louis County Government*	U.S. Bancorp
United Parcel Service Inc.	University of Missouri-St. Louis*
Wachovia Securities*	

\* Corporate Headquarters in Greater St. Louis

Sources: "Book of Lists 2008" St. Louis Business Journal; "Selectory" Dun & Bradstreet; "Sorkins Directory" Sorkins; "ReferenceUSA" InfoUSA; organization websites; and RCGA internal sources.



**TABLE III-6**  
**FORTUNE 1000 COMPANIES WITH HEADQUARTERS IN ST. LOUIS MSA**  
**May 2009**

Company	Rank	Revenues (\$ Millions)
Emerson Electric	94	25,281
Express Scripts, Inc.	115	22,023
Monsanto Company	235	11,579
Ameren Corporation	327	7,839
Peabody Energy	353	7,074
Smurfit-Stone Container Corp.*	356	7,042
Charter Communications	385	6,479
Graybar Electric	439	5,400
Energizer Holdings, Inc.	522	4,331
Solutia, Inc.	565	3,890
Jones Financial	568	3,859
Centene Corp.	609	3,515
Arch Coal, Inc.	692	2,984
Ralcorp Holdings, Inc.	713	2,824
Brown Shoe Company, Inc.	828	2,276
Laclede Group	829	2,274
Sigma-Aldrich	842	2,201
Belden Inc.	898	2,006
MEMC Electronic Materials	899	2,005
Olin Corp.	976	1,765
Furniture Brands International, Inc.	982	1,759

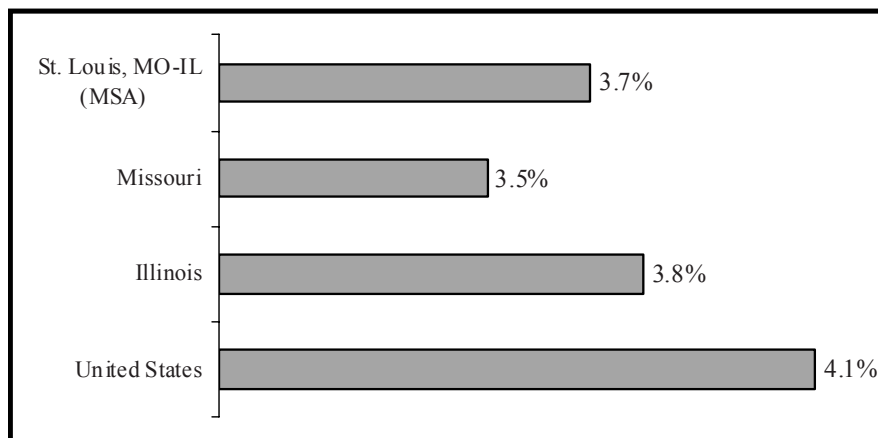
\* Dual headquarters in St. Louis and Chicago.

Source: "Fortune 500," Fortune, May 4, 2009.

## E. INCOME

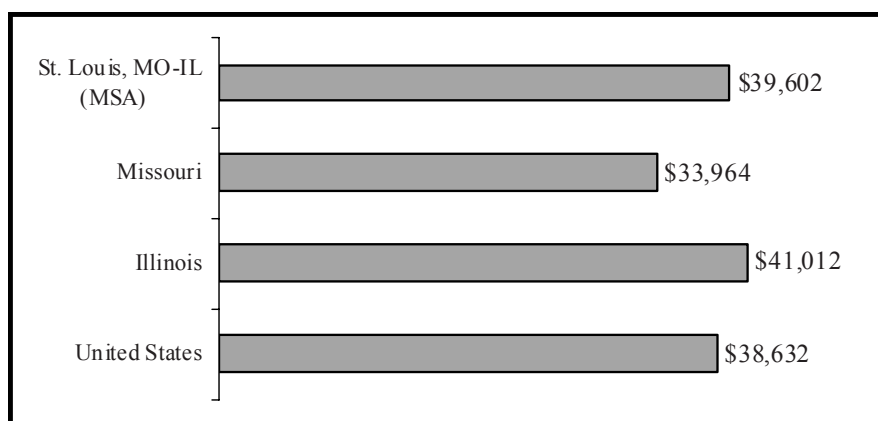
Income is another important indicator of economic vitality and a driver of air travel demand. **Figure III-8** shows that the growth rate in per capita personal income in the St. Louis MSA between 1998 and 2007 was slower than the growth rate in per capita personal income nationwide. However, **Figure III-9** shows that, in 2007, the St. Louis MSA's per capita personal income was 2.5 percent above the national average.

**FIGURE III-8**  
**AVERAGE ANNUAL GROWTH RATE IN PER CAPITA PERSONAL INCOME IN ST. LOUIS MSA,  
MISSOURI, ILLINOIS AND THE UNITED STATES, 1998 - 2007**



Source: U.S. Bureau of Economic Analysis.

**FIGURE III-9**  
**PER CAPITA PERSONAL INCOME IN ST. LOUIS MSA,  
MISSOURI, ILLINOIS, AND THE UNITED STATES, 2007**



Source: U.S. Bureau of Economic Analysis.

Within the St. Louis MSA, there are significant differences in per capita income levels by county, as shown in **Table III-7**. By far, the highest incomes are found in St. Louis County – where per capita personal income was \$51,710 in 2007. At the opposite end of the spectrum, Washington County, MO, had the lowest per capita personal income of \$22,379 in 2007.

**TABLE III-7**  
**PER CAPITA PERSONAL INCOME BY COUNTY**  
**IN ST. LOUIS MSA, 2007**

County	2007
Crawford County, MO	\$26,727
Franklin County, MO	\$32,407
Jefferson County, MO	\$30,663
Lincoln County, MO	\$26,572
St. Charles County, MO	\$36,711
St. Louis County, MO	\$51,710
Warren County, MO	\$30,448
Washington County, MO	\$22,379
St. Louis City, MO	\$29,724
Bond County, IL	\$28,550
Calhoun County, IL	\$27,883
Clinton County, IL	\$33,953
Jersey County, IL	\$31,894
Macoupin County, IL	\$30,779
Madison County, IL	\$33,585
Monroe County, IL	\$37,375
St. Clair County, IL	\$33,195
<b>St. Louis, MO-IL MSA</b>	<b>\$39,602</b>

Source: U.S. Bureau of Economic Analysis.

## F. COST OF LIVING

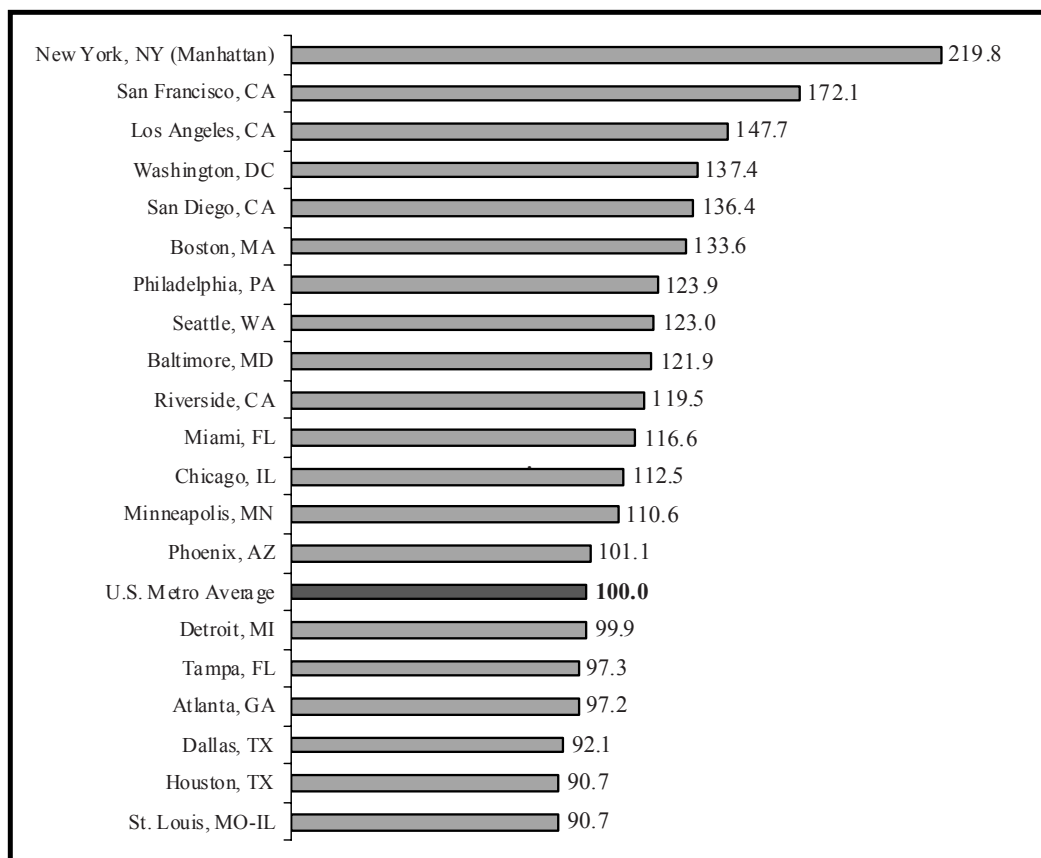
According to the St. Louis Regional Chamber & Growth Association (RCGA), Greater St. Louis offers big city amenities with the affordability of a smaller community:<sup>5</sup>

- In 2008, the cost of living in St. Louis MSA is the lowest among the nation's 20 largest metropolitan areas, according to the Council for Community and Economic Research (C2ER) (**Figure III-10**).
- Personal taxes are very reasonable, as Illinois and Missouri's per capita state and local tax burden is below the U.S. national average according to 2006 U.S. Census Bureau data.
- With inexpensive housing in both Illinois and Missouri, St. Louis ranks as the second-most affordable housing market when compared with the top 20 large metropolitan areas in the country, according to the National Association of Home Builders during the third quarter of 2008 (**Table III-8**). The percentage of affordable homes for median income earners and below means that in the St. Louis, MO-IL MSA 74.9 percent of homes sold during that period were affordable to families earning the area's median household income of \$65,000.

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<sup>5</sup> RCGA in [www.stlrcga.org](http://www.stlrcga.org).

**FIGURE III-10**  
**COST OF LIVING INDEX IN THE TOP 20 METROPOLITAN AREAS**  
**2008 ANNUAL AVERAGE**



Source: Council for Community and Economic Research.

**TABLE III-8**  
**HOUSING AFFORDABILITY IN THE TOP 20 METROPOLITAN AREAS**  
**THIRD QUARTER 2008**

<b>Metro Area</b>	<b>Share of Homes Affordable for Median Income</b>
Detroit, MI	84.8%
<b>St. Louis, MO-IL</b>	<b>74.9%</b>
Atlanta, GA	72.3%
Phoenix, AZ	71.6%
Minneapolis, MN-WI	71.6%
Dallas, TX	64.1%
Washington, D.C.	62.0%
Houston, TX	60.4%
Tampa, FL	60.3%
Baltimore, MD	50.6%
Riverside, CA	48.4%
Chicago, IL	47.3%
Boston, MA	42.8%
San Diego, CA	38.7%
Philadelphia, PA	36.5%
Seattle, WA	32.3%
Miami, FL	22.1%
Los Angeles, CA	20.7%
San Francisco, CA	16.6%
New York, NY	10.6%

Source: National Association of Home Builders/Wells Fargo Housing Opportunity Index, Third Quarter 2008.

## **G. SUMMARY**

The primary air service area of the Airport is the St. Louis MSA, which consists of eight counties and the independent St. Louis City in Missouri, and eight counties in Illinois. The St. Louis MSA offers a large population and labor force, a stable and diverse economic base, above-average per capita personal income, and an affordable cost of living:

- The St. Louis MSA has the 18th largest population among 363 metropolitan statistical areas in the country. The local population has been growing – albeit at a slower rate than the state populations of Missouri and Illinois and the entire nation. Many counties to the west of the airport have grown faster than national averages, while St. Louis County, St. Louis City and many of the counties in Illinois that are east of the airport have grown more slowly.
- The trends in the St. Louis MSA labor force and employment reflect the same stability observed in the local population.

- The unemployment trends in the St. Louis MSA reflect the same trends observed nationwide – rising unemployment in 2008 as the U.S. economy entered into a recession in December 2007.
- The St. Louis MSA has a diverse economic base, with the following as the top three industry sectors in terms of employment share: Education & Health Services, Professional & Business Services and Government.
- While the per capita personal income in the St. Louis MSA has grown at a slower rate compared to per capita personal income nationwide, the St. Louis MSA's per capita personal income in 2007 was above the national average.
- Greater St. Louis offers big city amenities with the affordability of a smaller community.

## **SECTION IV**

### **ANALYSIS AND FORECAST OF AVIATION ACTIVITY**

This section reviews the historical trends in passenger traffic and aircraft operations at Lambert-St. Louis International Airport and presents forecasts of enplanements, aircraft departures, and landed weight for the FY 2009-2015 period. The review covers trends over the past 10 years, with particular focus on developments over the last five years. Historical data are generally presented on a calendar year (CY) basis and occasionally on a fiscal year (FY) basis. The forecasts are presented on a fiscal year (FY) basis to serve as input to the financial analysis in Section V, which is on an FY basis.

The past eight years have been particularly challenging for the Airport. A number of events took place that either caused traffic levels to fall or kept them from recovering:

- American Airlines' acquisition of Trans World Airways (TWA) 2001 resulting in the downsizing and streamlining of the airline's hub operations at STL
- Economic recession and terrorist attacks in 2001
- International events such as the severe acute respiratory syndrome (SARS) epidemic and the Iraq War in 2003
- The U.S. economy entering into another recession beginning in December 2007

American Airlines (American or AA) acquired TWA in March 2001, took over TWA's system hub operations at the Airport, and began a series of route and capacity adjustments to streamline operations. Meanwhile, the U.S. economy went into recession from March through November 2001, and on September 11, 2001, terrorists crashed four U.S. commercial airplanes, including two American Airlines planes, causing an already weak travel demand to plummet. The subsequent recovery of traffic nationwide was hampered by other international events such as the SARS epidemic and the Iraq War in 2003. In St. Louis, the recovery of traffic was set back further by the downsizing of the American Airlines hub, which came to full effect in November 2003.

The downsizing of the American hub at the Airport caused a dramatic fall in traffic levels just as traffic losses were starting to diminish following the September 2001 terrorist attacks and the U.S. economic recession. The Airport felt the full impact of American's cutback in November 2003 when passenger aircraft departures fell by 37.2 percent from the previous year's November level, and enplanements fell by 49.4 percent. Traffic losses of similar proportion continued through January 2004. The year-over-year percentage losses began to diminish gradually in February 2004, and the Airport began to post year-over-year gains in enplanements and passenger aircraft departures in November 2004. Calendar year enplanements exhibited growth in 2005 (9.8 percent), 2006 (3.3 percent) and 2007 (1.5 percent).



Coping with rising oil prices has been another challenge to the airline industry, especially as the growth in the U.S. economy, and consequently air travel demand, has slowed again since the third quarter of 2007. The U.S. economy reached a peak in December 2007 and entered another recession,<sup>1</sup> which ushered in another round of structural adjustments in the airline industry that led to flight cuts at many of the nation's airports, including STL. Most recently, on June 11, 2009 American announced cuts to service levels and capacity nationwide, including specific reductions at the Airport.

## **A. HISTORICAL AVIATION ACTIVITY**

### **The Airport**

In 2008, the Airport enplaned 7.2 million passengers, or approximately a one percent share of total U.S. enplanements – the cut-off between medium and large hub classification. Based on 2007 data, the FAA listed the Airport as a medium hub – the classification for airports accounting for a share of total U.S. enplanements from 0.25 to less than one percent. Among U.S. airports, STL ranked the 31st largest by total passengers and the 39th largest by total aircraft operations, according to the 2008 Preliminary Airports Council International (ACI) North American Airport Traffic Statistics.

As of April 2009, the Airport received commercial service from nine major/national passenger airlines, 17 regional/commuter passenger, and five cargo airlines (**Table IV-1**). The two largest providers of scheduled passenger service at the Airport are American Airlines and Southwest Airlines. The Airport remains a secondary hub in the route network of American Airlines.

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<sup>1</sup> According to the National Bureau of Economic Research (NBER) Business Cycle Dating Committee, a peak in economic activity occurred in the U.S. economy in December 2007, marking the end of the expansion that began in November 2001 and the beginning of a recession. Source: National Bureau of Economic Research Business Cycle Dating Committee, *Determination of the December 2007 Peak in Economic Activity*, December 11, 2008.

**TABLE IV-1**  
**LAMBERT-ST. LOUIS INTERNATIONAL AIRPORT**  
**SCHEDULED AIR CARRIERS SERVING THE AIRPORT**  
**As of April 7, 2009**

Scheduled Mainline	Regional	All-Cargo
Air Tran <sup>1 2</sup>	Air Canada Jazz	ABX Air, Inc. <sup>1</sup>
American <sup>1 2</sup>	Air Wisconsin <sup>2 4</sup>	ASTAR <sup>1</sup>
Delta <sup>1 2</sup>	American Eagle <sup>3</sup>	Capital Cargo
Frontier <sup>1 2</sup>	Atlantic Southeast <sup>5</sup>	Federal Express
Northwest <sup>1 2</sup>	Chautauqua <sup>1 2 3 5 6</sup>	United Parcel Service <sup>1 2</sup>
Southwest <sup>1 2</sup>	Comair <sup>2 5</sup>	
United <sup>1 2</sup>	Expressjet <sup>1 2 6</sup>	
US Airways <sup>1 2</sup>	Go Jet <sup>2 7</sup>	
USA 3000	Great Lakes <sup>1 2</sup>	
	Mesa <sup>2 4</sup>	
	Mesaba <sup>2 8</sup>	
	Pinnacle <sup>2 5 8</sup>	
	PSA <sup>4</sup>	
	Republic <sup>4</sup>	
	Shuttle America <sup>2 5</sup>	
	Skywest <sup>2 5</sup>	
	Trans States <sup>1 2 3 4 7</sup>	

<sup>1</sup> Signatory airline

<sup>2</sup> Participating airline

<sup>3</sup> American Connection

<sup>4</sup> US Airways Express

<sup>5</sup> Delta Connection

<sup>6</sup> Continental Express

<sup>7</sup> United Express

<sup>8</sup> Northwest Airlink

<sup>9</sup> Midwest Connect

Source: Airport management records.

During 2008, passenger airlines operated an average of 307.0 scheduled nonstop flights per day from STL to 72 domestic destinations and an average of 2.6 scheduled nonstop flights per day to five international destinations. With stops and flight connections at other airports, the destination opportunities from STL are unlimited.

### Historical Enplanement Trends, 1975-2008

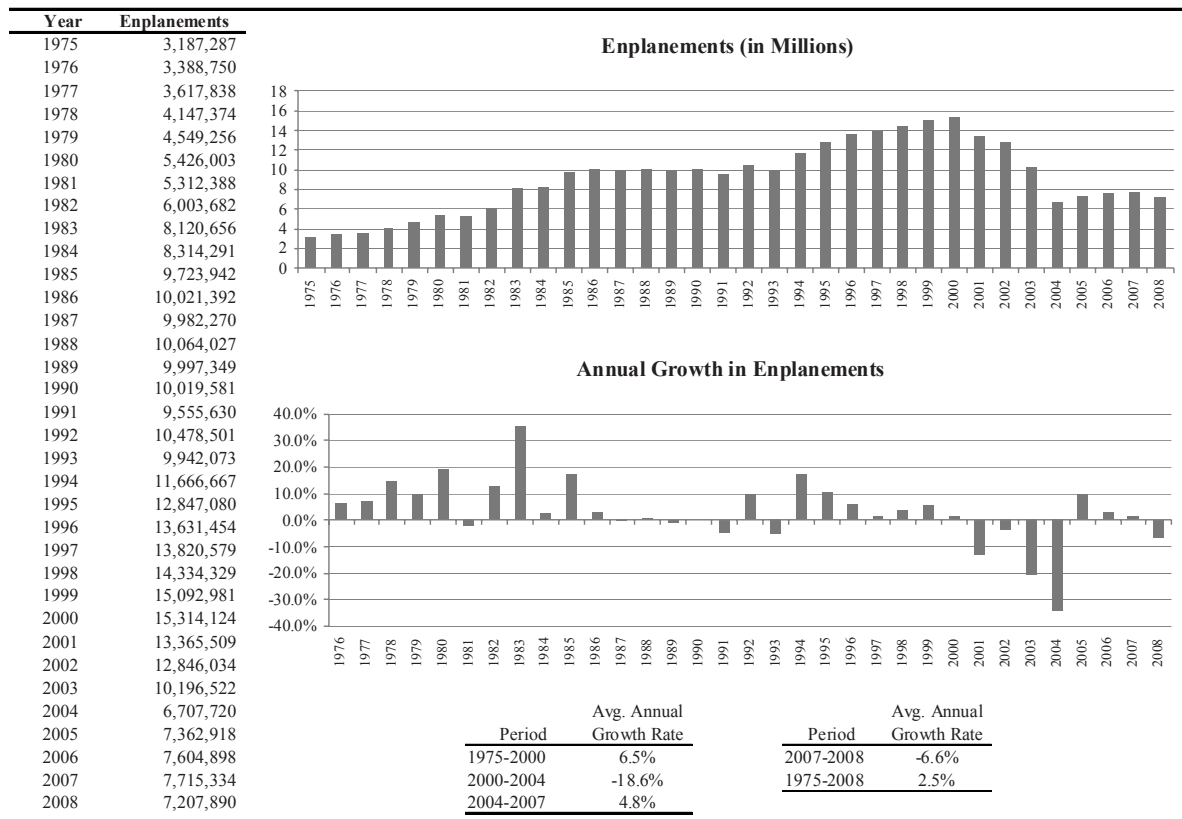
**Figure IV-1** shows the historical enplanement trends at the Airport from 1975 through 2008. Enplanement levels have gone through a few cycles of growth and decline, but they had risen generally from 1975 through 2000. In particular, enplanements grew rapidly during the three years following the establishment of the TWA system hub at the Airport in November 1982.

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Annual enplanement levels stayed somewhat flat from 1985 through 1993<sup>2</sup> before increasing again during the 1990s' economic expansion, reaching a peak in 2000.

FIGURE IV-1  
LAMBERT-ST. LOUIS INTERNATIONAL AIRPORT  
HISTORICAL ENPLANEMENT TRENDS  
CY 1975 - 2008



Source: Airport management records.

Positive stimulus was provided by two other factors: the expansion of Southwest's low-fare service at the Airport and the continued decline in the real price of air travel. From 1975 through 2000, annual enplanements increased nearly five-fold, from 3.19 million to 15.31 million, averaging an annual growth rate of 6.5 percent.

Beginning in 2001, a series of events precipitated a decline in passenger traffic at the Airport. These events included: (1) the exit of TWA and its acquisition by American Airlines; (2) the U.S. economic recession of 2001; (3) the terrorist attacks of September 11, 2001; (4) the SARS epidemic and the Iraq War in 2003; and (5) the downsizing of the American Airlines hub, which came to full effect in November 2003. Enplanements declined at unprecedented double-digit rates in 2001 (-12.7 percent), 2003 (-20.6 percent) and 2004 (-34.2 percent), with

<sup>2</sup> In 1993 TWA transferred some flights temporarily from STL to Hartsfield-Jackson Atlanta International Airport (ATL), causing a dip in enplanements from 1992 to 1993. Those flights were restored to STL in 1994.

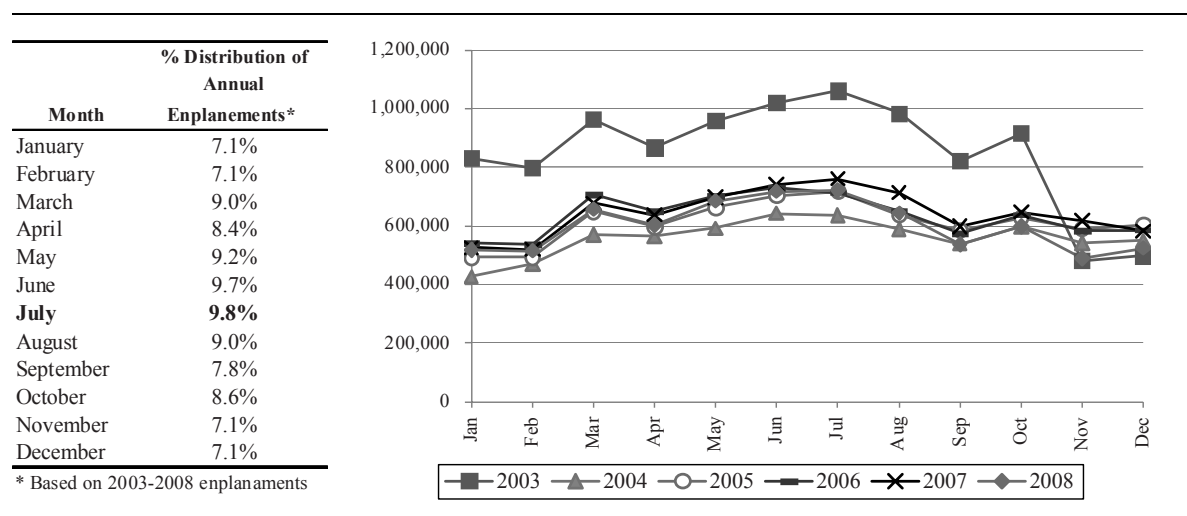
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the annual rate of decline averaging -18.6 percent between 2000 and 2004. The sharpest decline occurred in 2004, the first full year following the downsizing of the American Airlines hub in November 2003. By 2004 the annual enplanement level had fallen to 6.71 million, setting back passenger traffic 22 years to a pre-TWA hub level. The 2004 enplanement level was only 11.7 percent higher than enplanements in 1982 – TWA set up a system hub at the Airport beginning in November 1982. It was 17.4 percent lower than enplanements in 1983, the first full year of the TWA hub, and 56.2 percent lower than the peak in 2000.

Passenger traffic has been recovering gradually since 2004. Annual enplanements increased 9.8 percent in 2005, 3.3 percent in 2006, and 1.5 percent in 2007, but declined by 6.6% in 2008 as the U.S. economy entered another period of recession and airlines have responded with another round of capacity adjustments. Overall, between 1975 and 2008, enplanements at the Airport increased at an average annual rate of 2.5 percent.

**Figure IV-2** presents the recent enplanement trends at the Airport on a monthly basis. It shows how the levels of enplanements fell following the downsizing of American Airlines' hub in 2003 and depicts the modest recovery that is now set back by the present economic recession and new rounds of air service capacity adjustments. **Figure IV-2** also shows the seasonal pattern of air travel demand. In general, enplanement levels tend to be higher during the summer months and lower during the winter months. Between 2003 and 2008, on average, the month of July had the highest enplanement levels.

**FIGURE IV-2**  
**LAMBERT-ST. LOUIS INTERNATIONAL AIRPORT**  
**MONTHLY ENPLANEMENTS**  
**January 2003 - December 2008**



Source: Airport management records.

### **Enplanements at the Airport and the United States Airport System, 1999-2009**

**Table IV-2** presents the trends in annual enplanements at the Airport and the entire United States from 1999 through 2008. Annual enplanement trends at the Airport have been affected by the same factors that affected enplanements nationally – the economic recession, terrorist attacks in 2001 and the current economic recession that began in December 2007. The growth trends in annual enplanements at the Airport have tracked national growth trends except during the period from 2001 through 2004, when American implemented capacity reductions at the Airport that transformed the Airport from a primary hub to a secondary hub in American Airlines' route network. This can be seen clearly in **Figure IV-3**, which indexes annual enplanements at the Airport and the U.S. to a 1999 base year (1999 enplanements = 100) to facilitate the comparison of annual growth trends.

**TABLE IV-2**  
**LAMBERT-ST. LOUIS INTERNATIONAL AIRPORT**  
**SHARE OF U.S. TOTAL ENPLANEMENTS**  
**CY 1999 - 2008**

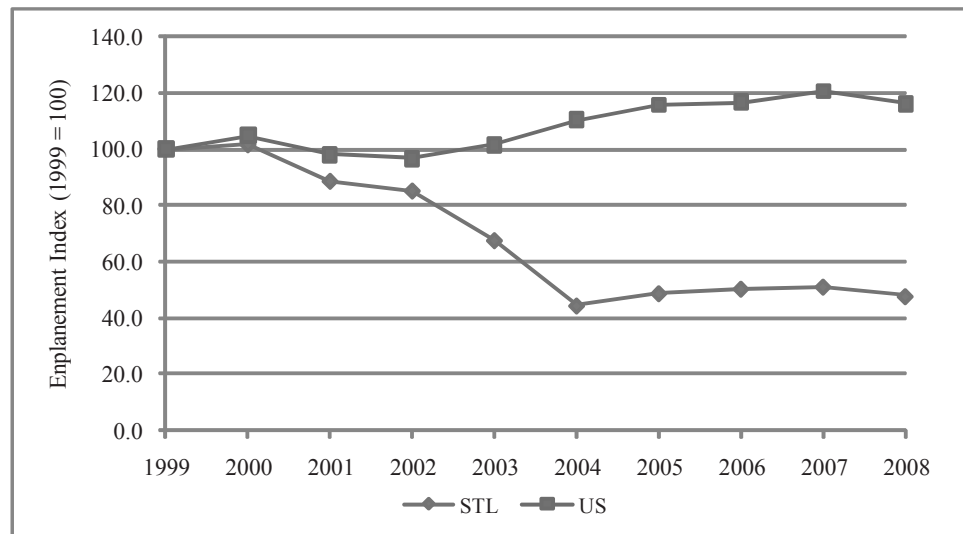
<b>Calendar Year</b>	<b>Airport Enplanements<sup>1</sup></b>	<b>U.S. Enplanements<sup>2</sup></b>	<b>Airport's Market Share</b>
1999	15,092,981	638,222,000	2.36%
2000	15,314,124	669,275,000	2.29%
2001	13,365,509	625,033,000	2.14%
2002	12,846,034	616,131,000	2.08%
2003	10,196,522	647,468,000	1.57%
2004	6,707,720	703,691,000	0.95%
2005	7,362,918	738,628,000	1.00%
2006	7,604,898	744,723,000	1.02%
2007	7,715,334	769,623,000	1.00%
2008	7,207,890	741,461,000	0.97%
<b>Average Annual Growth Rate</b>			
1999-2008	(7.9%)	1.7%	

<sup>1</sup> Source: Airport management records.

<sup>2</sup> Source: U.S. Bureau of Transportation Statistics for U.S. revenue enplanements.

During the years 2001-2004, actions taken by American Airlines to streamline its operations and scale down its St. Louis hub into a secondary hub caused enplanements at the Airport to fall at unprecedented double-digit rates through 2004. By 2004, the enplanement level at STL had fallen to less than one-half (43.8 percent) of its 2000 peak, and its share of total U.S. enplanements had fallen from 2.36 percent in 2000 to 0.95 percent – less than the one percent share cut-off for a large hub classification by the Federal Aviation Administration (FAA).

**FIGURE IV-3**  
**STL AND U.S. ENPLANEMENT INDICES**  
**CY 1999 - 2008**



<sup>1</sup> Source: Airport management records.

<sup>2</sup> Source: U.S. Bureau of Transportation Statistics for U.S. revenue enplanements.

Enplanements at STL posted modest increases for three consecutive years from 2005 through 2007, once again tracking national growth trends. Consistent with the national trend, enplanements decreased in 2008 due to the current economic recession that began in December 2007 and the system-wide air service capacity adjustments that followed beginning in mid-2008.

### **O&D and Connecting Enplanements**

**Table IV-3** shows a breakdown of STL enplanements into origin and destination (O&D) and connecting segments. O&D traffic consists of passengers who are either originating from St. Louis, or whose final destination is St. Louis. O&D traffic is typically influenced by local market factors and tends to track economic and demographic trends. Connecting traffic is determined primarily by airline network strategies, and a significant share of connecting traffic – typically 50 percent or more – characterizes primary hub airports.

The trends in O&D and connecting traffic clearly show the fundamental changes in the Airport's role from a primary to a secondary hub in American Airlines' route system and the Airport's underlying traffic base:

- The downsizing of American Airlines' hub operations at the Airport caused a significant decline in connecting traffic, with the connecting segment share falling from a peak of 55.2 percent in 2002 to 21.4 percent in 2008.

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- The O&D segment now accounts for a large majority of enplanements – 78.6 percent in 2008. Data for the first quarter of 2009 show further increase in the O&D share to 83.3 percent.

**TABLE IV-3**  
**LAMBERT-ST. LOUIS INTERNATIONAL AIRPORT**  
**O&D AND CONNECTING ENPLANEMENTS**  
**1999 - March 2009**

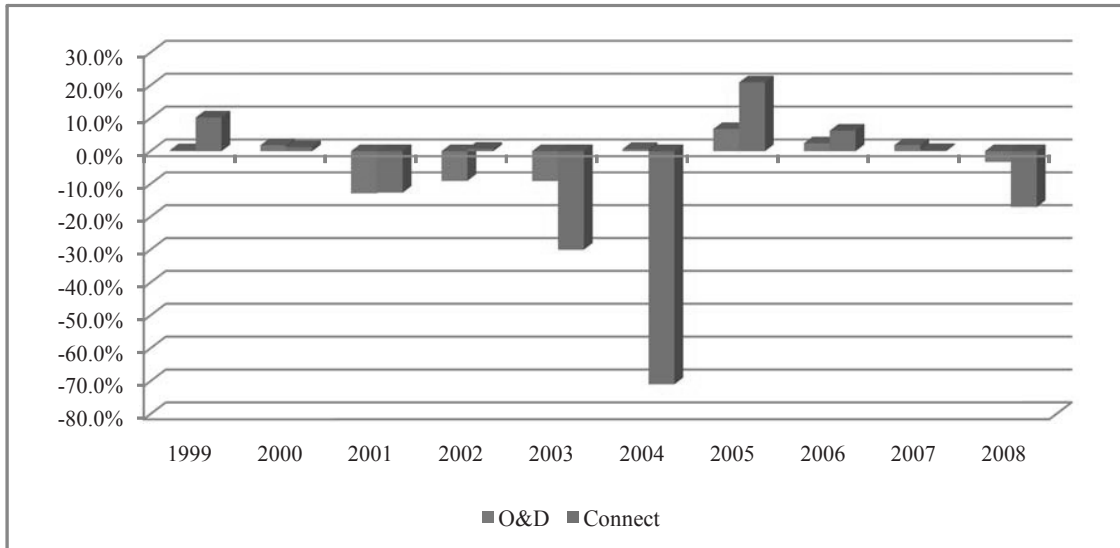
Year	O&D		Connecting		Total Enplanements
	Enplanements	Share	Enplanements	Share	
CY 1999	7,127,141	47.2%	7,965,840	52.8%	15,092,981
2000	7,253,816	47.4%	8,060,308	52.6%	15,314,124
2001	6,323,229	47.3%	7,042,280	52.7%	13,365,509
2002	5,750,948	44.8%	7,095,086	55.2%	12,846,034
2003	5,229,015	51.3%	4,967,507	48.7%	10,196,522
2004	5,263,363	78.5%	1,444,357	21.5%	6,707,720
2005	5,616,263	76.3%	1,746,655	23.7%	7,362,918
2006	5,749,638	75.6%	1,855,260	24.4%	7,604,898
2007	5,854,885	75.9%	1,860,449	24.1%	7,715,334
2008	5,663,666	78.6%	1,544,224	21.4%	7,207,890
Jan-Mar 2009	1,188,363	83.3%	238,371	16.7%	1,426,734
FY 1999	7,156,835	49.1%	7,406,587	50.9%	14,563,422
2000	7,193,492	47.1%	8,065,665	52.9%	15,259,157
2001	7,057,885	47.0%	7,949,293	53.0%	15,007,178
2002	5,779,692	45.8%	6,839,748	54.2%	12,619,440
2003	5,510,858	46.6%	6,317,177	53.4%	11,828,035
2004	5,159,761	64.4%	2,857,858	35.6%	8,017,619
2005	5,518,897	78.3%	1,529,462	21.7%	7,048,359
2006	5,724,298	75.1%	1,898,886	24.9%	7,623,184
2007	5,740,674	76.1%	1,802,595	23.9%	7,543,269
2008	5,848,852	76.8%	1,762,267	23.2%	7,611,119
<b>Average Annual Growth Rate</b>					
CY 1999-2008	-2.5%		-16.7%		-7.9%
Jan-Mar 2009	-9.9%		-35.6%		-15.5%
FY 1999-2008	-2.2%		-14.7%		-7.0%

Source: Airport management records.

**Figure IV-4** and **Figure IV-5** show a better picture of the growth trends of the O&D and connecting segments on an annual basis and a quarterly basis. They show clearly the sharp declines in connecting enplanements in 2003 and 2004.

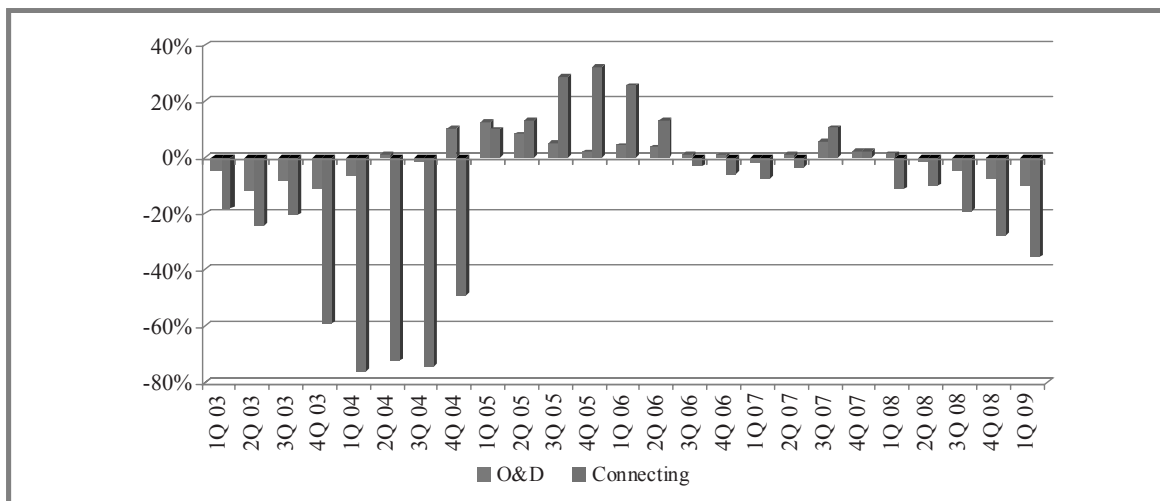


**FIGURE IV-4**  
**LAMBERT-ST. LOUIS INTERNATIONAL AIRPORT**  
**ANNUAL GROWTH RATES OF O&D AND CONNECTING ENPLANEMENTS**  
**CY 1999 - 2008**



Source: Airport management records.

**FIGURE IV-5**  
**LAMBERT-ST. LOUIS INTERNATIONAL AIRPORT**  
**YEAR-OVER-YEAR PERCENTAGE CHANGE IN QUARTERLY O&D**  
**AND CONNECTING ENPLANEMENTS**  
**1ST Quarter 2003 - 1ST Quarter 2009**



Source: Airport management records.

## Domestic and International Enplanements

The Airport serves primarily domestic traffic, which accounts for nearly 99 percent of annual enplanements (**Table IV-4**).

**TABLE IV-4**  
**LAMBERT-ST. LOUIS INTERNATIONAL AIRPORT**  
**DOMESTIC AND INTERNATIONAL ENPLANEMENTS**  
**1999 - March 2009**

Calendar Year	Domestic		International		Total Enplanements
	Enplanements	Share	Enplanements	Share	
CY 1999	14,907,791	98.8%	185,190	1.2%	15,092,981
2000	15,116,224	98.7%	197,900	1.3%	15,314,124
2001	13,105,360	98.1%	260,149	1.9%	13,365,509
2002	12,561,382	97.8%	284,652	2.2%	12,846,034
2003	9,989,785	98.0%	206,737	2.0%	10,196,522
2004	6,583,603	98.1%	124,117	1.9%	6,707,720
2005	7,241,915	98.4%	121,003	1.6%	7,362,918
2006	7,484,214	98.4%	120,684	1.6%	7,604,898
2007	7,590,128	98.4%	125,206	1.6%	7,715,334
2008	7,111,945	98.7%	95,945	1.3%	7,207,890
Jan-Mar 2009	1,405,075	98.5%	21,659	1.5%	1,426,734
FY 1999	14,387,966	98.8%	175,456	1.2%	14,563,422
2000	15,080,187	98.8%	178,970	1.2%	15,259,157
2001	14,769,779	98.4%	237,399	1.6%	15,007,178
2002	12,339,479	97.8%	279,961	2.2%	12,619,440
2003	11,580,770	97.9%	247,265	2.1%	11,828,035
2004	7,849,427	97.9%	168,192	2.1%	8,017,619
2005	6,924,320	98.2%	124,039	1.8%	7,048,359
2006	7,508,864	98.5%	114,320	1.5%	7,623,184
2007	7,417,586	98.3%	125,683	1.7%	7,543,269
2008	7,504,901	98.6%	106,218	1.4%	7,611,119
<b>Average Annual Growth Rate</b>					
CY 1999-2008	-7.9%		-7.0%		-7.9%
Jan-Mar 2009	-15.3%		-29.2%		-15.5%
FY 1999-2008	-7.0%		-5.4%		-7.0%

Source: Airport management.

## Airline Market Shares

**Table IV-5** shows the trends in enplanements and market share by airline in 2004, 2008 and January - March 2009:

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**TABLE IV-5**  
**LAMBERT-ST. LOUIS INTERNATIONAL AIRPORT**  
**AIRLINE MARKET SHARE**  
**2004, 2008 and March 2009**

Airline	Enplanements			Market Share		
	2004	2008	Jan-Mar 2009	2004	2008	Jan-Mar 2009
<b>Mainline air carrier</b>						
America West	123,939			1.8%		
American	2,107,436	2,241,182	417,494	31.4%	31.1%	29.3%
American Trans Air		131,221	22,256		1.8%	1.6%
Continental	43,154	56		0.6%	0.0%	
Delta	229,355	159,721	24,732	3.4%	2.2%	1.7%
Frontier	97,028	117,686	24,672	1.4%	1.6%	1.7%
Northwest	338,006	225,213	17,073	5.0%	3.1%	1.2%
Southwest	1,584,019	2,104,372	465,115	23.6%	29.2%	32.6%
United	228,406	66,710	7,872	3.4%	0.9%	0.6%
US Airways	25,701	148,197	24,708	0.4%	2.1%	1.7%
USA 3000	3,336	86,941	24,610	0.0%	1.2%	1.7%
<b>Subtotal-Mainline</b>	<b>4,780,380</b>	<b>5,281,299</b>	<b>1,028,532</b>	<b>71.3%</b>	<b>73.3%</b>	<b>72.1%</b>
<b>Regional air carrier</b>						
Air Canada	17,647			0.3%		
Jazz Air		17,089	3,025		0.2%	0.2%
AA Connection/American Eagle	29,430	21,795	6,898	0.4%	0.3%	0.5%
AA Connection/Chautauqua	401,248	445,215	110,991	6.0%	6.2%	7.8%
AA Connection/RegionsAir	63,612			0.9%		
AA Connection/Trans States	668,337	445,330	32,676	10.0%	6.2%	2.3%
Continental Express/Chautauqua		83,786	19,562		1.2%	1.4%
Continental Express/Expressjet	149,617	102,896	19,434	2.2%	1.4%	1.4%
Great Lakes		10,816	2,017		0.2%	0.1%
Delta Connection/Atlantic Coast	5,506			0.1%		
Delta Connection/ASA		59,425	14,649		0.8%	1.0%
Delta Connection/Chautauqua		68,731	7,236		1.0%	0.5%
Delta Connection/Comair	135,909	26,693	13,962	2.0%	0.4%	1.0%
Delta Connection/Pinnacle		1,086	5,277		0.0%	0.4%
Delta Connection/Shuttle America		7,190			0.1%	
Delta Connection/Skywest		45,364	14,347		0.6%	1.0%
Midwest Connect/Skyway	7,929	1,874		0.1%	0.0%	
Midwest Connect/Skywest		7,332			0.1%	
Northwest Airlink/Mesaba	44,571	42,009	18,126	0.7%	0.6%	1.3%
Northwest Airlink/Pinnacle	5441	57,884	22,461	0.1%	0.8%	1.6%
United Express/Go Jet		116,892	28,434		1.6%	2.0%
United Express/Skywest	16,931			0.3%		
United Express/Trans States	87,211	144,848	32,739	1.3%	2.0%	2.3%
United Express/Mesa	30,401			0.5%		
US Airways Express/Air Wisc.		21,690	8,907		0.3%	0.6%
US Airways Express/Chautauqua	3,069			0.0%		
US Airways Express/Mesa	76,842	53,594	12,683	1.1%	0.7%	0.9%
US Airways Express/PSA	23,550	21,072	2,824	0.4%	0.3%	0.2%
US Airways Express/Republic		67,761	15,818		0.9%	1.1%
US Airways Express/Trans States	40,402	27,389	4,573	0.6%	0.4%	0.3%
<b>Subtotal-Regional</b>	<b>1,807,653</b>	<b>1,897,761</b>	<b>396,639</b>	<b>26.9%</b>	<b>26.3%</b>	<b>27.8%</b>
<b>Subtotal-Charter</b>	<b>119,687</b>	<b>28,830</b>	<b>1,563</b>	<b>1.8%</b>	<b>0.4%</b>	<b>0.1%</b>
<b>Total Enplanements</b>	<b>6,707,720</b>	<b>7,207,890</b>	<b>1,426,734</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>

Source: Airport management records.

- Together American Airlines and its American Connection operators accounted for the largest share of enplanements, but their combined share declined from 48.8 percent in 2004 to 39.8 percent as of March 2009:

	Calendar Year		
	2004	2008	Jan-Mar 2009
<b>Enplanements</b>			
American Airlines	2,107,436	2,241,182	417,494
American Connection	1,162,627	912,340	150,565
<b>Total Enplanements</b>	<b>3,270,063</b>	<b>3,153,522</b>	<b>568,059</b>
<b>Market Share</b>			
American Airlines	31.4%	31.1%	29.3%
American Connection	17.3%	12.7%	10.6%
<b>Total Market Share</b>	<b>48.8%</b>	<b>43.8%</b>	<b>39.8%</b>

- Southwest held the second largest share of enplanements, which increased from 23.6 percent in 2003 to 32.6 percent as of March 2009.
- As a group, mainline air carriers accounted for a large majority of enplanements, representing 72.1 percent of total enplanements as of March 2009. Regional operators, serving short-haul and low-density markets, accounted for 27.8 percent. Charter airlines accounted for the remaining 0.1 percent.
- The Airport had a net loss of one mainline carrier between 2004 and 2008. American Trans Air began service in 2007, while Continental and America West ended service in 2006 and 2007, respectively.

### **Air Service Markets**

**Table IV-6** lists the top 20 domestic O&D markets served by airlines from STL as of December 2008. The list consists of large metropolitan areas – a mix of business and leisure destinations across the United States. At the top of the list is Chicago, which accounted for 6.7 percent of domestic O&D passengers at STL. On average, there were 31.9 nonstop departures per day from STL to Chicago in 2008. Dallas is second with 5.4 percent of domestic O&D passengers at STL and average nonstop flights of 17.3 per day from STL. Washington D.C. ranked third with 5.3 percent of domestic O&D passengers at STL and an average of 9.0 nonstop flights per day. Together the top 20 destinations accounted for 65.3 percent of total O&D passengers at STL and average flights of 180.5 per day, or 58.3 percent of total daily flights from STL.

**TABLE IV-6**  
**LAMBERT-ST. LOUIS INTERNATIONAL AIRPORT**  
**TOP TWENTY DOMESTIC O&D MARKETS**  
**As of December 31, 2008**

Rank	City	Airport(s)	Air Miles from STL <sup>1</sup>	Share of Domestic O&D Passengers <sup>2</sup>	Avg. Daily Nonstop Departures <sup>3</sup>
1	Chicago, IL	ORD, MDW	255	6.7%	31.9
2	Dallas, TX	DFW, DAL	549	5.4%	17.3
3	Washington, DC	DCA, IAD	708	5.3%	9.0
4	Los Angeles, CA	LAX, SNA	1,582	5.1%	5.5
5	New York, NY	EW, LGA, JFK	884	4.2%	16.9
6	Orlando, FL	MCO	880	3.9%	6.6
7	Denver, CO	DEN	770	3.3%	12.3
8	Phoenix, AZ	PHX	1,262	3.2%	7.6
9	Atlanta, GA	ATL	483	3.2%	16.2
10	Las Vegas	LAS	1,372	3.1%	4.5
11	Detroit/Ann Arbor, MI	DTW	440	2.8%	7.3
12	Florida South, FL	FLL, MIA	1,062	2.7%	3.3
13	San Francisco, CA	SFO	1,736	2.6%	1.6
14	Philadelphia, PA	PHL	813	2.5%	9.0
15	Tampa/St. Petersburg, FL	TPA	869	2.1%	3.0
16	Minneapolis/St. Paul, MN	MSP	449	1.9%	12.9
17	Houston, TX	IAH, HOU	678	1.9%	10.0
18	Seattle, WA	SEA	1,710	1.9%	1.6
19	Boston, MA	BOS	1,046	1.8%	2.4
20	Fort Myers, FL	RSW	979	1.6%	1.7
	Top 20 cities			65.3%	180.5
	All other cities			34.7%	129.1
	<b>TOTAL-Domestic</b>			<b>100.0%</b>	<b>309.6</b>

<sup>1</sup> U.S. Bureau of Transportation Statistics. Represents distance from STL to respective airport(s).

<sup>2</sup> BACK Aviation Solutions OD1A Database.

<sup>3</sup> BACK Aviation Solutions OAG Database.

**Table IV-7** shows the number of domestic and international nonstop destinations served from the Airport and the average number of scheduled daily departures from 2004, the first full year following the downsizing of the American Airlines hub, through 2008. Between 2004 and 2008, the Airport experienced a net loss of eight nonstop destinations and 32 scheduled daily departures.

**TABLE IV-7**  
**LAMBERT-ST. LOUIS INTERNATIONAL AIRPORT**  
**STATUS OF AIR SERVICE**  
**CY 2004 - 2008**

<b>Air Service Measure</b>	<b>2004</b>	<b>2005</b>	<b>2006</b>	<b>2007</b>	<b>2008</b>
<b>Domestic</b>					
Number of Nonstop Destinations	82	85	81	75	72
Average Scheduled Daily Departures	339.7	352.6	339.3	317.5	307.0
<b>International</b>					
Number of Nonstop Destinations	3	7	4	6	5
Average Scheduled Daily Departures	2.4	2.4	2.7	3.5	2.6
<b>Total</b>					
Number of Nonstop Destinations	85	92	85	81	77
Average Scheduled Daily Departures	342.1	354.9	342.0	321.0	309.6

Source: BACK Aviation Solutions OAG Schedules Database.

Between 2004 and 2008, STL lost direct service to 12 domestic destinations and one international destination, while gaining direct service to two domestic and three international destinations. The affected destinations are shown in **Table IV-8**.<sup>3</sup>

**TABLE IV-8**  
**LAMBERT-ST. LOUIS INTERNATIONAL AIRPORT**  
**DESTINATIONS THAT HAVE LOST AND GAINED SERVICE FROM STL**  
**BETWEEN CY 2004 - 2008**

<b>Domestic Destinations That Have Lost Service</b>	
Bloomington, IL	Joplin, MO
Champaign, IL	Lafayette, IN
Colorado Springs, CO	Jackson, TN
Columbia, MO	Owensboro, KY
Evansville, IN	Paducah, KY
Kirksville, MO	Peoria, IL
<b>International Destinations That Have Lost Service</b>	
San Juan, Puerto Rico	
<b>Domestic Destinations That Have Gained Service</b>	
Dallas/Ft. Worth, TX	Sarasota/Bradenton, FL
<b>International Destinations That Have Gained Service</b>	
Montego Bay, Jamaica	Puerto Vallarta, Mexico
Punta Cana, Dominican Republic	

Source: BACK Aviation Solutions OAG Schedules Database.

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<sup>3</sup> Most recently, on June 11, 2009 American announced that it will make further cuts in service to specific destinations effective FY 2010. These are discussed on page IV-27.

## Air Cargo

The Airport handles a significant volume of air cargo annually. However, **Table IV-9** and **Figure IV-6** show that the annual volume of air cargo has decreased during nine of the last 10 years, going from 289.0 million pounds in 1999 to 178.8 million pounds in 2008. On average, total air cargo decreased 5.2 percent per year between 1999 and 2008. In the first three months of 2009, the volume of freight decreased by 7.3 percent compared to the first three months of 2008. In 2008, freight accounted for 73.7 percent of air cargo, and mail accounted for the remaining 26.3 percent.

**TABLE IV-9**  
**LAMBERT-ST. LOUIS INTERNATIONAL AIRPORT**  
**HISTORICAL AIR CARGO (In Thousand Pounds)**  
**1999 - March 2009**

Calendar Year	Enplaned and Deplaned Air Cargo		
	Freight	Mail	Total
1999	211,601	77,379	288,980
2000	214,750	72,268	287,018
2001	212,177	57,195	269,373
2002	191,473	93,224	284,696
2003	178,056	76,754	254,811
2004	169,256	61,269	230,525
2005	168,362	54,767	223,129
2006	142,446	53,541	195,987
2007	133,695	49,873	183,568
2008	131,751	47,029	178,780
Jan-Mar 2009	31,571	9,861	41,432
<b>Average Annual Growth Rate</b>			
1999-2008	-5.1%	-5.4%	-5.2%
Jan-Mar 2009	-3.6%	-17.3%	-7.3%

Source: Airport management records.

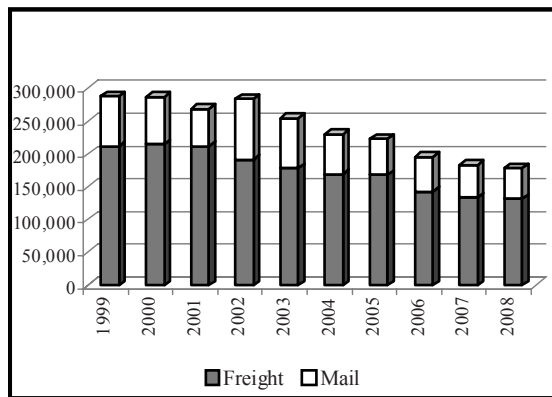
The downsizing of American's operations at the Airport has contributed to the decline in air cargo. For example, in 2003, American carried 23.93 million pounds of freight, which accounted for 13.0 percent of total freight. In 2004, American carried only 4.54 million pounds of freight, a decrease of 81.0 percent from 2003. In 2004, American's share of total freight decreased to 2.7 percent. In 2003, American carried 28.27 million pounds of mail, which accounted for 36.8 percent of total mail. In 2004, American carried only 8.82 million pounds of mail, a decrease of 68.8 percent from the previous year. In 2004, American's share of total mail decreased to 14.4 percent.



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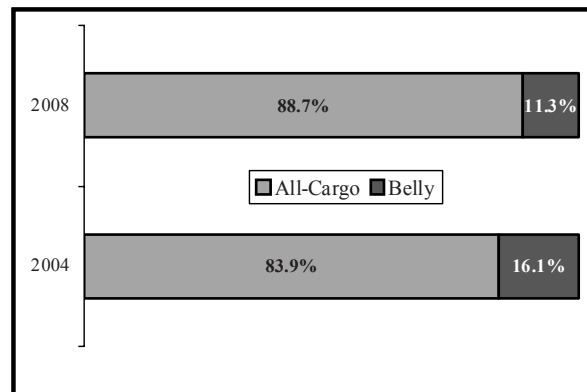
As shown in **Figure IV-7**, all-cargo carriers accounted for a large majority share of air cargo; their combined share increased from 84 percent in 2004 to 89 percent in 2008.

**FIGURE IV-6**  
**LAMBERT-ST. LOUIS INTERNATIONAL AIRPORT**  
**HISTORICAL AIR CARGO (In Thousand Pounds)**  
**CY 1999 - 2008**



Source: Airport management records

**FIGURE IV-7**  
**LAMBERT-ST. LOUIS INTERNATIONAL AIRPORT**  
**ALL-CARGO AND BELLY CARRIER SHARES OF AIR CARGO**  
**CY 2004 - 2008**



**Table IV-10** shows that between 2004 and 2008, total aircraft operations (departures and arrivals) by all-cargo carriers decreased at an average annual rate of 14.1 percent per year, while the total air cargo transported by all-cargo carriers decreased at a slower rate of 4.8 percent per year, on average. Cargo throughput (freight and mail) per operation increased 10.8 percent, on average, each year. As of March 2009, cargo aircraft operations are up by 3.4 percent but freight and mail poundage is down by 8.4 percent, resulting in an 11.4 percent decrease in cargo throughput.

**TABLE IV-10**  
**LAMBERT-ST. LOUIS INTERNATIONAL AIRPORT**  
**ALL CARGO CARRIER OPERATIONS**  
**2004 - March 2009**

Calendar Year	All Cargo Aircraft Operations			Freight & Mail (thousand pounds)			Enplaned Freight & Mail per Departure	Deplaned Freight & Mail per Arrival	Freight & Mail per Operation
	Departures	Arrivals	Total	Enplaned	Deplaned	Total			
2004	2,926	2,926	5,852	92,604	100,705	193,309	31,649	34,417	33,033
2005	2,733	2,734	5,467	93,189	102,599	195,788	34,098	37,527	35,813
2006	1,716	1,716	3,432	80,996	91,414	172,410	47,200	53,272	50,236
2007	1,639	1,639	3,278	78,272	85,981	164,253	47,756	52,459	50,108
2008	1,593	1,593	3,186	76,696	81,897	158,593	48,145	51,410	49,778
Jan-Mar 2009	425	425	850	18,253	18,286	36,539	42,948	43,026	42,987
Average Annual Growth Rate									
2004-2008	-14.1%	-14.1%	-14.1%	-4.6%	-5.0%	-4.8%	11.1%	10.6%	10.8%
Jan-Mar 2009	3.4%	3.4%	3.4%	-6.0%	-10.7%	-8.4%	-9.1%	-13.6%	-11.4%

Source: Airport management records

## Aircraft Operations

**Table IV-11** and **Figure IV-8** show historical data on all categories of aircraft operations at STL, as recorded by the FAA Air Traffic Control Tower, during the 2001-2008 period. Air carrier operations, which include arrivals and departures by all-cargo carriers and passenger carriers operating aircraft with 60 or more seats, decreased at an average rate of 12.2 percent per year from 311,423 in 2001 to 124,879 in 2008. The sharp decline in air carrier operations during the last five years largely reflects the cutback in American Airlines' mainline service. During this period, other major airlines also accelerated the transfer of certain routes to their regional partners to take advantage of the economies of smaller aircraft particularly in serving small markets. The trend has continued into the first quarter of 2009 as air carrier operations decreased by 7.4 percent from the first quarter of 2008.

**TABLE IV-11**  
**LAMBERT-ST. LOUIS INTERNATIONAL AIRPORT**  
**AIRCRAFT OPERATIONS**  
**2001 - March 2009**

Calendar Year	Air Carrier <sup>1</sup>		Air Taxi & Commuters <sup>2</sup>		General Aviation		Military		Total
	Number	% Share	Number	% Share	Number	% Share	Number	% Share	
2001	311,423	65.7%	141,443	29.8%	17,761	3.7%	3,534	0.7%	474,161
2002	281,042	64.3%	139,746	32.0%	14,504	3.3%	1,709	0.4%	437,001
2003	209,713	55.2%	156,268	41.1%	10,819	2.8%	2,972	0.8%	379,772
2004	102,765	43.5%	120,633	51.1%	8,909	3.8%	3,909	1.7%	236,216
2005	138,429	48.1%	130,793	45.4%	11,273	3.9%	7,596	2.6%	288,091
2006	136,066	49.9%	108,262	39.7%	10,571	3.9%	17,686	6.5%	272,585
2007	128,377	50.5%	106,723	42.0%	11,249	4.4%	7,953	3.1%	254,302
2008	124,879	50.4%	109,955	44.4%	10,430	4.2%	2,353	1.0%	247,617
Jan-Mar 2009	27,754	53.2%	22,226	42.6%	1,850	3.5%	368	0.7%	52,198
<b>Average Annual Growth Rate</b>									
2001-2008	-12.2%		-3.5%		-7.3%		-5.6%		-8.9%
Jan-Jun 2008	-7.4%		-23.3%		-29.7%		-41.3%		-16.1%

<sup>1</sup> Air carrier operations include passenger and all-cargo carrier operations. By FAA classification, air carriers operate aircraft with 60 seats or more.

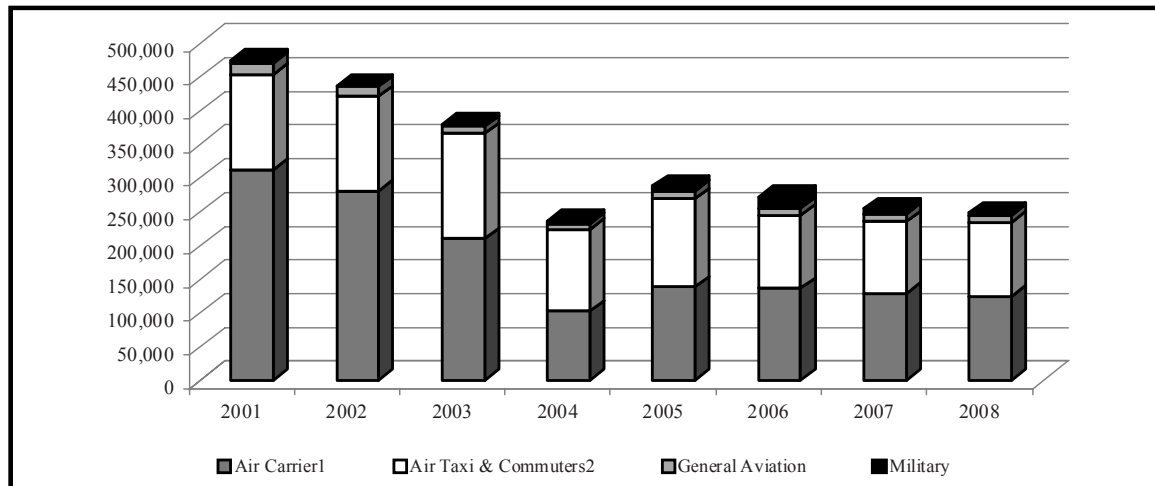
<sup>2</sup> By FAA classification, air taxis and commuters operate aircraft with less than 60 seats.

Source: Airport management records based on FAA Air Traffic Control Tower reports.

Annual air taxi and commuter operations, which include arrivals and departures by aircraft with less than 60 seats, initially increased from 141,443 in 2001 to 156,268 in 2003, and then decreased to 109,955 in 2008. These trends represent an overall rate of decrease of 3.5 percent per year, on average. Air taxi and commuter operations showed a large decline of 23.3 percent from January to March of 2009. General aviation operations – covering a wide range of aviation activities, including pilot training, recreational flying, sightseeing, corporate or personal flying, and movement of large heavy loads by helicopter – decreased from 17,761 in 2001 to 10,430 in 2008, at an average annual rate of 7.3 percent. Military operations fluctuated from year to year, ranging between 1,709 and 7,953, except in 2006 when military operations increased to 17,686. On average, military operations decreased by 5.6 percent per year between 2001 and 2008.

In total, annual aircraft operations decreased from 474,161 in 2001 to 247,617 in 2008 at an average rate of 8.9 percent. In the first three months of 2009, total operations decreased by 16.1 percent to 52,198 from 62,217 during the first three months of 2008.

**FIGURE IV-8**  
**LAMBERT-ST. LOUIS INTERNATIONAL AIRPORT**  
**AIRCRAFT OPERATIONS**  
**CY 2001 - 2008**



<sup>1</sup> Air carrier operations include passenger and all-cargo carrier operations. By FAA classification, air carriers operate aircraft with 60 seats or more.

<sup>2</sup> By FAA classification, air taxis and commuters operate aircraft with less than 60 seats.

## **Commercial Aircraft Departures and Seats**

This study is particularly concerned with aircraft operations by commercial airlines, as they are the largest users of the Airport and the largest source of revenues. **Table IV-12** presents data on commercial aircraft departures and share of annual aircraft departures by air carrier category from 2004 through March 2009. The data indicates the trend in availability and composition of air service at the Airport. **Table IV-12** singles out American and Southwest among the mainline carriers and American Connection among the regional carriers. American Connection is operated by four regional airlines: American Eagle, Chautauqua, RegionsAir (until March 2007), and Trans States.

Total commercial aircraft departures decreased from 126,909 in 2004 to 112,298 in 2008 at an average annual rate of 3.0 percent. The decrease in commercial aircraft departures since 2004 is primarily attributable to regional passenger aircraft departures, which decreased from 69,787 in 2004 to 56,647 in 2008 at an average annual rate of 5.1 percent. Mainline departures increased slightly at a rate of 0.1 percent on average, from 53,280 departures in 2004 to 53,546 in 2008. Charter aircraft departures decreased by 13.5 percent per year, on average, from 916 in 2004 to 512 in 2008. Cargo aircraft departures decreased by 14.1 percent per year, on average, from 2,926 in 2004 to 1,593 in 2008.

In the first three months of 2009, total commercial aircraft departures were 14.5 percent lower than in 2008. Most of the decrease can be attributed to aircraft departures by regional carriers, which declined by 17.6 percent compared to a 12.1 percent decrease in mainline aircraft departures. Charter departures increased significantly to 158 from 105, for a change of 50.5 percent. Cargo operations increased by 3.4 percent during the first quarter of 2009, moving to 425 operations from 411 in 2008.

American Airlines posted a slight reduction in aircraft departures from 18,998 in 2004 to 17,567 in 2008 at an average annual rate of 1.9 percent. American Airlines exhibited a large decline in the first three months of 2009 as mainline operations were nearly 16.0 percent lower than in the first quarter of 2008. American Airlines downsized its operations at the Airport as part of its effort to streamline and consolidate its hubs. The downsizing of the St. Louis hub came to full effect in November 2003. Between 2003 and 2004, American Airlines' mainline aircraft departures from the Airport decreased by approximately 70 percent.

Departures by American Connection operators, which accounted for almost 27 percent of total departures at the Airport in 2008, declined from 52,161 in 2004 to 30,147 in 2008 at an average annual rate of 12.8 percent. The downward trend increased significantly in the first quarter of 2009, as American Connection departures fell by 33.1 percent to 5,677.

Aircraft departures by Southwest Airlines increased from 20,548 in 2004 to 26,278 in 2008 at an average annual rate of 6.3 percent. Through the first quarter of 2009, Southwest Airlines operations have receded by 1.5 percent compared to the same period in 2008.

Passenger airlines accounted for 97.7 percent of annual commercial aircraft departures in 2004, 97.9 percent in 2005 and 98.6 percent between 2006 and 2008. Mainline aircraft departures increased in share from 42.0 percent in 2004 to 47.7 percent in 2008, while the share of regional aircraft departures decreased from 55.0 percent in 2004 to 50.4 percent in 2008. During the first three months of 2009, mainline departures grew by 1.2 percent to 46.7 percent while regional departures shrank by 1.9 percent to 50.9 percent. American Airlines mainline service increased in share of aircraft departures from 15.0 percent in 2004 to 15.6 percent in 2008. Southwest increased strongly in share, going from 16.2 percent in 2004 to 23.4 percent in 2008. American Connection operators decreased its share dramatically over the past five years, moving from 41.1 percent in 2004 to 26.8 percent in 2008. During the first quarter of 2009, American's share of STL operations decreased to 14.9 percent from 15.1 percent in 2008 and Southwest's share increased to 25.3 percent from 22.0 percent in 2008.

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**TABLE IV-12**  
**LAMBERT-ST. LOUIS INTERNATIONAL AIRPORT**  
**COMMERCIAL AIRCRAFT DEPARTURES**  
**2004 - March 2009**

Air Carrier	Calendar Year					Avg. Annual Growth Rate	January-March		Percentage Change
	2004	2005	2006	2007	2008		2008	2009	
Aircraft Departures									
Mainline									
American	18,998	20,167	20,427	19,619	17,567	-1.9%	4,266	3,589	-15.9%
Southwest	20,548	21,917	23,631	24,733	26,278	6.3%	6,206	6,110	-1.5%
Others	13,734	10,931	8,851	10,542	9,701	-8.3%	2,355	1,574	-33.2%
Subtotal	53,280	53,015	52,909	54,894	53,546	0.1%	12,827	11,273	-12.1%
Regional									
American Connection <sup>1</sup>	52,161	52,621	46,755	35,710	30,147	-12.8%	8,480	5,677	-33.1%
Others	17,626	22,573	22,506	22,927	26,500	10.7%	6,423	6,607	2.9%
Subtotal	69,787	75,194	69,261	58,637	56,647	-5.1%	14,903	12,284	-17.6%
Charter	916	842	752	729	512	-13.5%	105	158	50.5%
Subtotal-Passenger	123,983	129,051	122,922	114,260	110,705	-2.8%	27,835	23,715	-14.8%
Cargo	2,926	2,733	1,716	1,639	1,593	-14.1%	411	425	3.4%
Total	126,909	131,784	124,638	115,899	112,298	-3.0%	28,246	24,140	-14.5%
Avg. Daily Departures									
Mainline									
American	52.0	55.3	56.0	53.8	48.1	-1.9%	23.4	19.7	-15.9%
Southwest	56.3	60.0	64.7	67.8	72.0	6.3%	34.0	33.5	-1.5%
Others	37.6	29.9	24.2	28.9	26.6	-8.3%	12.9	8.6	-33.2%
Subtotal	146.0	145.2	145.0	150.4	146.7	0.1%	70.3	61.8	-12.1%
Regional									
American Connection <sup>1</sup>	142.9	144.2	128.1	97.8	82.6	-12.8%	46.5	31.1	-33.1%
Others	48.3	61.8	61.7	62.8	72.6	10.7%	35.2	36.2	2.9%
Subtotal	191.2	206.0	189.8	160.6	155.2	-5.1%	81.7	67.3	-17.6%
Charter	2.5	2.3	2.1	2.0	1.4	-13.5%	0.6	0.9	50.5%
Subtotal-Passenger	339.7	353.6	336.8	313.0	303.3	-2.8%	152.5	129.9	-14.8%
Cargo	8.0	7.5	4.7	4.5	4.4	-14.1%	2.3	2.3	3.4%
Total	347.7	361.1	341.5	317.5	307.7	-3.0%	154.8	132.3	-14.5%
Share of Commercial Aircraft Departures									
Mainline									
American	15.0%	15.3%	16.4%	16.9%	15.6%		15.1%	14.9%	
Southwest	16.2%	16.6%	19.0%	21.3%	23.4%		22.0%	25.3%	
Others	10.8%	8.3%	7.1%	9.1%	8.6%		8.3%	6.5%	
Subtotal	42.0%	40.2%	42.5%	47.4%	47.7%		45.4%	46.7%	
Regional									
American Connection <sup>1</sup>	41.1%	39.9%	37.5%	30.8%	26.8%		30.0%	23.5%	
Others	13.9%	17.1%	18.1%	19.8%	23.6%		22.7%	27.4%	
Subtotal	55.0%	57.1%	55.6%	50.6%	50.4%		52.8%	50.9%	
Charter	0.7%	0.6%	0.6%	0.6%	0.5%		0.4%	0.7%	
Subtotal-Passenger	97.7%	97.9%	98.6%	98.6%	98.6%		98.5%	98.2%	
Cargo	2.3%	2.1%	1.4%	1.4%	1.4%		1.5%	1.8%	
Total	100.0%	100.0%	100.0%	100.0%	100.0%		100.0%	100.0%	

<sup>1</sup> Operated by American Eagle, Chautauqua, RegionsAir and Trans States.  
Source: Airport management records.

The resurgence of growth in mainline service relative to regional service between 2004 and 2008 can be seen clearly by comparing the trends in aircraft departures, seats, and the average number of seats per departure in **Table IV-13** and **Figure IV-9**. Departures show a downward trend (-2.8 percent per year), while seats show an upward trend (+0.6 percent per

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year). The resulting trend of increase in the average number of seats per departure (+3.5 percent per year) indicates the trend toward increased utilization of larger aircraft.

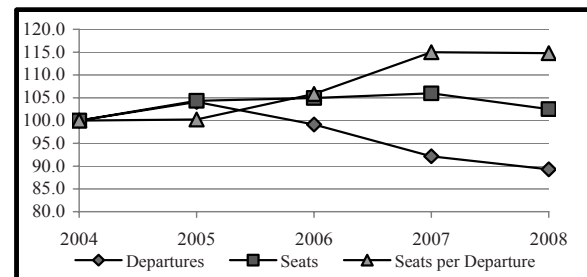
**TABLE IV-13**  
**LAMBERT-ST. LOUIS INTERNATIONAL AIRPORT**  
**COMMERCIAL PASSENGER AIRCRAFT DEPARTURES,**  
**SEATS AND SEATS PER DEPARTURE**  
**CY 2004 - 2008**

Year	Departures <sup>1</sup>	Seats	Seats per Departure
2004	123,983	10,156,489	81.9
2005	129,051	10,595,709	82.1
2006	122,922	10,659,022	86.7
2007	114,260	10,763,436	94.2
2008	110,705	10,407,945	94.0
<b>Average Annual Growth Rate</b>			
<b>2004-2008</b>	<b>-2.8%</b>	<b>0.6%</b>	<b>3.5%</b>

<sup>1</sup> Mainline and regional carriers only.

Source: Airport management records. BACK Aviation OAG Schedules Database.

**FIGURE IV-9**  
**LAMBERT-ST. LOUIS INTERNATIONAL AIRPORT**  
**INDEXED<sup>1</sup> PASSENGER AIRCRAFT DEPARTURES,**  
**SEATS AND SEATS PER DEPARTURE**  
**CY 2004 - 2008 (2004=100)**



### Recent Trends in Scheduled Passenger Aircraft Service

In response to the U.S. recession that officially began in December 2007, airlines once again implemented capacity cuts beginning in mid-2008. As reflected in the data on actual departures in **Table IV-12** above, American has so far led airlines in implementing the largest capacity cuts at the Airport with a 10.5 percent reduction in mainline departures and a 15.6 percent reduction in American Connection departures in 2008. Most recently, on June 11, 2009 American announced that it will implement additional cuts in service at the Airport in FY 2010, and these are discussed on page IV-27. Some of the capacity cuts by American and other airlines in 2008 were offset by increases in departures by Southwest (+6.2 percent), AirTran Airways (+37.2 percent), US Airways mainline service (+181.5%), and by other regional operators (+15.6 percent), particularly Great Lakes and those providing service for Delta Connection, United Express and Northwest Airlink.

**Table IV-14, Table IV-15** and **Figure IV-10** analyze the scheduled changes in commercial aircraft departures, seats, and seats per departure in 2009 by comparing quarterly schedules with the previous year's schedules:

- According to the OAG Schedules Database, scheduled passenger aircraft departures in 2009 are expected to decline by 13.4 percent. The cuts are deepest in the first quarter, getting smaller with each quarter thereafter. Mainline departures are projected to shrink by nearly 12.0 percent, with mainline departures by American decreasing by 18.0 percent and Southwest departures decreasing by 5.2 percent. Regional departures are scheduled to decrease 15.0 percent in 2009.

- Average daily departures are projected to decline from 309.6 in 2008 to 268.1 in 2009, a decrease of 13.4 percent. The average daily departures for mainline carriers are expected to go down by 17.5 flights in 2009 to 132.3. American is projected to lose an average of 8.9 flights per day, while Southwest is forecasted to lose, on average, 3.8 flights per day. Average daily departures by regional carriers are planned to decline to 135.8 in 2009 from 159.8 in 2008.
- The allocation of mainline and regional departures as a percentage of total departures is projected to remain basically unchanged in 2009 at 49.3 percent mainline and 50.7 percent regional. American's share of passenger departures is projected to decrease to 15.2 percent in 2009 from 16.0 percent in 2008, while Southwest's share is expected to increase to 25.6 percent in 2009 from 23.4 percent in 2008. American Connection's share of passenger aircraft departures is forecasted to decline by 5.0 percentage points in 2009 to 22.2 percent.



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**TABLE IV-14**  
**LAMBERT-ST. LOUIS INTERNATIONAL AIRPORT**  
**PASSENGER AIRCRAFT DEPARTURES**  
**QUARTERLY, CY 2008 - 2009**

Air Carrier	Actual					Scheduled				
	1st Qtr. 2008	2nd Qtr. 2008	3rd Qtr. 2008	4th Qtr. 2008	2008	1st Qtr. 2009	2nd Qtr. 2009	3rd Qtr. 2009	4th Qtr. 2009	2009
<b>Passenger Aircraft Departures</b>										
<b>Mainline</b>										
American	4,568	4,787	4,719	4,035	18,109	3,707	3,687	3,739	3,722	14,855
Southwest	6,338	6,673	6,793	6,600	26,404	6,136	6,386	6,300	6,208	25,030
Others	2,681	2,695	2,750	2,025	10,151	1,639	2,075	2,583	2,107	8,404
<b>Subtotal</b>	<b>13,587</b>	<b>14,155</b>	<b>14,262</b>	<b>12,660</b>	<b>54,664</b>	<b>11,482</b>	<b>12,148</b>	<b>12,622</b>	<b>12,037</b>	<b>48,289</b>
<b>Regional</b>										
American Connection <sup>1</sup>	8,825	8,463	7,354	6,178	30,820	5,761	5,613	5,194	5,194	21,762
Others	6,781	7,069	6,784	6,890	27,524	6,922	7,004	6,943	6,951	27,820
<b>Subtotal</b>	<b>15,606</b>	<b>15,532</b>	<b>14,138</b>	<b>13,068</b>	<b>58,344</b>	<b>12,683</b>	<b>12,617</b>	<b>12,137</b>	<b>12,145</b>	<b>49,582</b>
<b>Total</b>	<b>29,193</b>	<b>29,687</b>	<b>28,400</b>	<b>25,728</b>	<b>113,008</b>	<b>24,165</b>	<b>24,765</b>	<b>24,759</b>	<b>24,182</b>	<b>97,871</b>
<b>Avg. Daily Departures</b>										
<b>Mainline</b>										
American	50.1	52.5	51.7	44.2	49.6	40.6	40.4	41.0	40.8	40.7
Southwest	69.5	73.1	74.4	72.3	72.3	67.2	70.0	69.0	68.0	68.6
Others	29.4	29.5	30.1	22.2	27.8	18.0	22.7	28.3	23.1	23.0
<b>Subtotal</b>	<b>148.9</b>	<b>155.1</b>	<b>156.3</b>	<b>138.7</b>	<b>149.8</b>	<b>125.8</b>	<b>133.1</b>	<b>138.3</b>	<b>131.9</b>	<b>132.3</b>
<b>Regional</b>										
American Connection <sup>1</sup>	96.7	92.7	80.6	67.7	84.4	63.1	61.5	56.9	56.9	59.6
Others	74.3	77.5	74.3	75.5	75.4	75.9	76.8	76.1	76.2	76.2
<b>Subtotal</b>	<b>171.0</b>	<b>170.2</b>	<b>154.9</b>	<b>143.2</b>	<b>159.8</b>	<b>139.0</b>	<b>138.3</b>	<b>133.0</b>	<b>133.1</b>	<b>135.8</b>
<b>Total</b>	<b>319.9</b>	<b>325.3</b>	<b>311.2</b>	<b>282.0</b>	<b>309.6</b>	<b>264.8</b>	<b>271.4</b>	<b>271.3</b>	<b>265.0</b>	<b>268.1</b>
<b>Share of Passenger Aircraft Departures</b>										
<b>Mainline</b>										
American	15.6%	16.1%	16.6%	15.7%	16.0%	15.3%	14.9%	15.1%	15.4%	15.2%
Southwest	21.7%	22.5%	23.9%	25.7%	23.4%	25.4%	25.8%	25.4%	25.7%	25.6%
Others	9.2%	9.1%	9.7%	7.9%	9.0%	6.8%	8.4%	10.4%	8.7%	8.6%
<b>Subtotal</b>	<b>46.5%</b>	<b>47.7%</b>	<b>50.2%</b>	<b>49.2%</b>	<b>48.4%</b>	<b>47.5%</b>	<b>49.1%</b>	<b>51.0%</b>	<b>49.8%</b>	<b>49.3%</b>
<b>Regional</b>										
American Connection <sup>1</sup>	30.2%	28.5%	25.9%	24.0%	27.3%	23.8%	22.7%	21.0%	21.5%	22.2%
Others	23.2%	23.8%	23.9%	26.8%	24.4%	28.6%	28.3%	28.0%	28.7%	28.4%
<b>Subtotal</b>	<b>53.5%</b>	<b>52.3%</b>	<b>49.8%</b>	<b>50.8%</b>	<b>51.6%</b>	<b>52.5%</b>	<b>50.9%</b>	<b>49.0%</b>	<b>50.2%</b>	<b>50.7%</b>
<b>Total</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>

<sup>1</sup> Operated by American Eagle, Chautauqua and Trans States.

Source: Airport management records. BACK Aviation OAG Schedules Database.

**Table IV-15** presents departures, seats, and seats per departure by quarter in 2008 and 2009. Total seats in 2009 are scheduled to decrease 12.3 percent, compared to a 13.4 percent decrease in departures, resulting in a 1.2 percent increase in average seats per departures. **Figure IV-10** shows the annual percentage change in actual and scheduled departures and seats, by quarter, for 2008 and 2009. The figure indicates that the capacity reductions are expected to continue through the 2nd quarter before improving in the 3rd and 4th quarters of 2009.

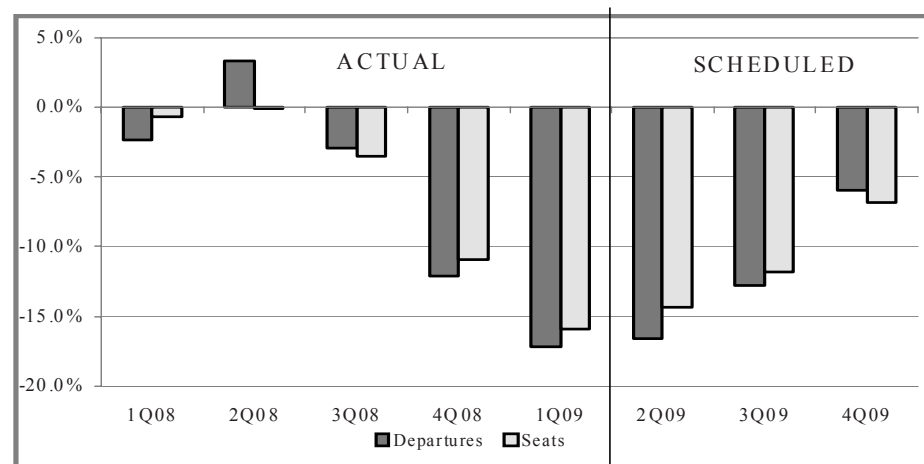
**TABLE IV-15**  
**LAMBERT-ST. LOUIS INTERNATIONAL AIRPORT**  
**SCHEDULED PASSENGER AIRCRAFT DEPARTURES,**  
**SEATS AND SEATS PER DEPARTURE**  
**Quarterly, CY 2008 - 2009**

Year		Departures <sup>1</sup>	Seats	Seats per Departure
<b>Actual</b>	1st Qtr. 2008	29,193	2,635,511	90.3
	2nd Qtr. 2008	29,687	2,705,151	91.1
	3rd Qtr. 2008	28,400	2,658,001	93.6
	4th Qtr. 2008	25,728	2,405,778	93.5
	<b>2008</b>	<b>113,008</b>	<b>10,404,441</b>	<b>92.1</b>
<b>Sched.</b>	1st Qtr. 2009	24,165	2,216,418	91.7
	2nd Qtr. 2009	24,765	2,317,923	93.6
	3rd Qtr. 2009	24,759	2,344,444	94.7
	4th Qtr. 2009	24,182	2,242,000	92.7
	<b>2009</b>	<b>97,871</b>	<b>9,120,785</b>	<b>93.2</b>

<sup>1</sup> Scheduled mainline and regional carriers only.

Source: Airport management records. BACK Aviation OAG Schedules Database.

**FIGURE IV-10**  
**LAMBERT-ST. LOUIS INTERNATIONAL AIRPORT**  
**YEAR-OVER-YEAR PERCENTAGE CHANGE IN DEPARTURES AND SEATS**  
**CY 2008 - 2009**



<sup>1</sup> BACK Aviation Solutions OAG Database.

### Commercial Aircraft Landed Weight

Commercial aircraft landed weight is an important measure of air traffic activity because it serves as the basis for calculating landing fees – the largest source of airline revenues. **Table IV-16** presents data on aircraft landed weight and share by category of commercial aircraft from 2004 to March 2009. The table highlights activity by American and Southwest, among the mainline carriers, and American Connection among the regional carriers. The key trends to note are as follows:

- Total commercial aircraft landed weight stayed relatively flat from 2004 to 2008, and decreased significantly – by 11.3 percent year-over-year – during the first quarter of 2009. Mainline landed weight grew by an average annual rate of 1.0% between 2004 and 2008, and showed a sharp 11.7 percent decline in the first three months of 2009. Regional aircraft landed weight decreased slightly over the five-year period, at an average annual rate of 0.4 percent, and also experienced a steep drop of 14.0 percent during the first quarter of 2009. Cargo aircraft landed weight exhibits the opposite trend: decreasing 8.4 percent per year on average between 2004 and 2008, and increasing 23.8 percent during the first quarter of 2009.
- American Airlines showed a minor decrease of 1.3% per year in aircraft landed weight from 2004 to 2008, while Southwest Airlines aircraft landed weight increased at a healthy average annual rate of 7.1 percent. The combined annual aircraft landed weight of American Connection operators decreased at an average annual rate of 7.1 percent from 2004 to 2008. In the first quarter of 2009, American's landed weight decreased 15.2 percent, Southwest's landed weight decreased 1.4 percent, and the combined landed weight of American Connection operators decreased 33.6 percent.
- **Table IV-16** also presents data on average aircraft landed weight per landing that indicate an increasing trend in average aircraft size. The average aircraft landed weight for all carriers increased from 76,641 pounds in 2004 to 86,143 pounds in 2008, and to 87,258 pounds during the first quarter of 2009. This trend reflects the increase in the average aircraft landed weight of mainline carriers, the phase out of smaller turbo prop aircraft and the phase in of relatively larger regional jets, and heavier cargo aircraft.

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**TABLE IV-16**  
**LAMBERT-ST. LOUIS INTERNATIONAL AIRPORT**  
**COMMERCIAL AIRCRAFT LANDED WEIGHT**  
**2004 - March 2009**

Air Carrier						Avg. Annual Growth Rate	January-March		Percentage Change
	2004	2005	2006	2007	2008		2008	2009	
Aircraft Landed Weight (1,000 lbs.)									
Mainline									
American	2,548,020	2,789,498	2,809,862	2,718,692	2,414,128	-1.3%	585,222	496,476	-15.2%
Southwest	2,399,712	2,586,020	2,786,012	2,913,980	3,152,572	7.1%	740,024	729,784	-1.4%
Others	1,516,053	1,261,212	1,077,140	1,272,969	1,166,569	-6.3%	282,389	193,899	-31.3%
Subtotal	6,463,785	6,636,730	6,673,014	6,905,641	6,733,269	1.0%	1,607,635	1,420,159	-11.7%
Regional									
American Connection <sup>1</sup>	1,684,739	1,723,754	1,646,149	1,451,113	1,257,118	-7.1%	354,466	235,398	-33.6%
Others	837,504	1,110,831	1,125,167	1,113,259	1,224,663	10.0%	299,078	326,465	9.2%
Subtotal	2,522,243	2,834,585	2,771,316	2,564,371	2,481,781	-0.4%	653,544	561,862	-14.0%
Charter <sup>2</sup>	124,778	116,736	107,894	100,096	32,624	-28.5%	14,434	493	-96.6%
Subtotal-Passenger	9,110,806	9,588,051	9,552,224	9,570,108	9,247,675	0.4%	2,275,612	1,982,514	-12.9%
Cargo	603,167	594,590	440,089	430,606	425,441	-8.4%	104,906	129,830	23.8%
Total	9,713,973	10,182,641	9,992,314	10,000,713	9,673,116	-0.1%	2,380,518	2,112,344	-11.3%
Share of Commercial Aircraft Landed Weight									
Mainline									
American	26.2%	27.4%	28.1%	27.2%	25.0%		24.6%	23.5%	
Southwest	24.7%	25.4%	27.9%	29.1%	32.6%		31.1%	34.5%	
Others	15.6%	12.4%	10.8%	12.7%	12.1%		11.9%	9.2%	
Subtotal	66.5%	65.2%	66.8%	69.1%	69.6%		67.5%	67.2%	
Regional									
American Connection <sup>1</sup>	17.3%	16.9%	16.5%	14.5%	13.0%		14.9%	11.1%	
Others	8.6%	10.9%	11.3%	11.1%	12.7%		12.6%	15.5%	
Subtotal	26.0%	27.8%	27.7%	25.6%	25.7%		27.5%	26.6%	
Charter <sup>2</sup>	1.3%	1.1%	1.1%	1.0%	0.3%		0.6%	0.0%	
Subtotal-Passenger	93.8%	94.2%	95.6%	95.7%	95.6%		95.6%	93.9%	
Cargo	6.2%	5.8%	4.4%	4.3%	4.4%		4.4%	6.1%	
Total	100.0%	100.0%	100.0%	100.0%	100.0%		100.0%	100.0%	
Average Aircraft Landed Weight (Lbs.)									
Mainline									
American	134,120	138,320	137,556	138,574	137,424	0.6%	137,183	138,294	0.8%
Southwest	116,786	117,992	117,892	117,779	119,874	0.7%	119,090	119,441	0.3%
Others	110,363	115,316	121,382	120,569	120,141	2.1%	119,758	122,954	2.7%
Subtotal	121,310	125,172	126,065	125,745	125,677	0.9%	125,225	125,934	0.6%
Regional									
American Connection <sup>1</sup>	32,380	32,820	35,280	40,617	41,769	6.6%	41,845	41,531	-0.7%
Others	47,621	49,213	49,981	48,697	46,195	-0.8%	46,535	49,196	5.7%
Subtotal	36,230	37,748	40,064	43,770	43,842	4.9%	43,868	45,665	4.1%
Charter <sup>2</sup>	135,628	138,971	142,906	137,684	63,471	-17.3%	134,897	3,120	-97.7%
Subtotal-Passenger	73,581	74,352	77,749	83,777	83,540	3.2%	81,730	83,513	2.2%
Cargo	206,141	217,480	256,462	262,725	267,069	6.7%	65,854	276,823	320.4%
Total	76,641	77,324	80,211	86,308	86,143	3.0%	80,871	87,258	7.9%

<sup>1</sup> Operated by American Eagle, Chautauqua, RegionsAir and Trans States.

<sup>2</sup> Charter landed weight data is understated because charter landed weight data is not consistently reported by operators.

Source: Airport management records.

## **B. FORECAST OF AVIATION ACTIVITY**

This sub-section presents forecasts of annual commercial aviation activity at the Airport for the FY 2009-2015 period. Forecasts are developed using a hybrid modeling approach: capacity driven in the near term and demand driven in the long term:

- Near-term projections of aircraft departures (landings), enplanements and landed weight for FY 2009 and FY 2010 are based largely on the latest published airline schedules of departures and seats at STL. They also take into account a recent announcement by American Airlines of further capacity adjustments to take effect in FY 2010. The airline schedules reflect airlines' expectations about, and their responses to, near-term economic and demand conditions. With the deepening of the economic recession, which began in December 2007, airlines have responded to weak travel demand by cutting flights and seats system-wide, including at STL. Enplanement levels are determined by scheduled seat capacity, as well as assumptions related to the typical flight cancellation rate (the difference between actual and scheduled departures) and trends in boarding load factors. Aircraft departures are assumed to equal landings, which are the basis for projecting landed weight.
- Long-term forecast growth in enplanements is based on the results of a regression model that relate enplanements to long-term demand drivers, such as trends in economic activity and the price of air travel. Forecast annual enplanement levels are used to project aircraft departures (or landings), which in turn serve as the basis for projecting landed weight. Assumptions regarding changes in boarding load factors, aircraft gauge (seats per aircraft), and average aircraft landed weight follow FAA projections of industry trends.

### **Airline Capacity Adjustments in FY 2010**

On June 11, American Airlines (AA) informed the management of Lambert-St. Louis International Airport (STL or the Airport) that it will eliminate 8 daily flights from its mainline service effective November 2009 and 10 daily flights from its American Eagle (MQ) regional service effective August 2009. The forecast of enplanements for FY 2010 takes these planned flight cuts into account.

To assess the impact of additional capacity reductions by American in FY 2010, we examined the following:

- Data on existing nonstop O&D passengers between STL and the destination airports subject to flight cuts (U.S. Department of Transportation OD1A data)
- Whether each destination airport would still have nonstop service from STL by American or other airlines after the flight cuts (OAG data on published airline schedules)

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The following seven destinations are subject to American Airlines mainline flight cuts effective November 2009:

Destination	AA Daily Flights			Status of service
	06/18/09	11/18/09	Change	
Boston (Intl), MA	3	1	(2)	Has no nonstop service by other airlines
Dallas/Ft. Worth (Intl), TX	9	8	(1)	Has no nonstop service by other airlines
Las Vegas (Intl), NV	1	0	(1)	Has 4 scheduled daily flights by WN
Los Angeles (Intl), CA	4	3	(1)	Has no nonstop service by other airlines
Chicago (O'Hare), IL	10	9	(1)	Has 11 scheduled daily flights by UA
San Diego (Intl), CA	1	0	(1)	Has no nonstop service by other airlines
Seattle/Tacoma (Intl), WA*	2	1	(1)	Has no nonstop service by other airlines

\* Seasonal adjustment

The following five destinations are subject to American Eagle flight cuts effective August 2009:

Destination	MQ Daily Flights			Status of service
	06/18/09	11/18/09	Change	
Cedar Rapids/Iowa City, IA	2	0	(2)	Has no nonstop service by other airlines
Charlotte, NC	2	0	(2)	Has 5 daily flights by US
Philadelphia (Intl), PA	3	0	(3)	Has 3 scheduled daily flights by US and 2 scheduled daily flights by WN
Springfield, MO	1	0	(1)	Has no nonstop service by other airlines
Tulsa, OK	2	0	(2)	Has 2 scheduled daily flights by WN

Airline Codes: AA-American Airlines; MQ-American Eagle; WN-Southwest Airlines; UA-United Airlines; and US-US Airways.

Sources: American Airlines and OAG database.

Of the 12 total destinations subject to flight cuts, only three (San Diego, Cedar Rapids and Springfield) would be left with no scheduled nonstop service from any airline, based on published airline schedules as of June 12, 2009. One other destination (Boston) would retain less than 50% of its current nonstop service from STL.

### **Forecast Enplanements**

A number of techniques are available for forecasting, with each one presenting certain advantages and disadvantages. Long-term forecasts of enplanements for this study are based on results from multivariate regression modeling. For comparison and forecast evaluation, this study also presents the latest Terminal Area Forecasts (TAF) developed by the FAA for the Airport, as well as other enplanement forecasts developed using market share analysis and univariate time series regression (a trend extrapolation technique).

### *Multivariate Regression Analysis*

Multivariate regression analysis provides a systematic framework to incorporate explanatory variables in modeling and forecasting air travel demand, quantify the effects of multiple explanatory variables on demand, and perform sensitivity analysis. By design, regression analysis reduces subjective inputs and minimizes forecast errors. The regression model of enplanements at the Airport was specified with the explanatory variables described below. These explanatory variables were selected based on our knowledge of the underlying principles of consumer demand, our analysis of historical enplanement trends at the Airport, our understanding of the Airport market, and our assessment of the demographic and economic trends in the air service area. The explanatory variables include:

- *Price of air travel.* The demand for air travel is inversely related to its price. Holding all other factors constant, more people travel and do so more frequently when air fares go down, and fewer people travel and do so less frequently when air fares go up. Airfares, in real terms, have followed a long-term trend of decline since the 1978 deregulation, stimulating growth in air travel. A variety of factors have combined to reduce airfares: productivity growth, competition particularly from low-cost carriers, price transparency on the Internet, and growing price consciousness among both leisure and business travelers. In the regression model, the average domestic real passenger yield at STL was used as a measure of the price of air travel, using historical data from the U.S. Department of Transportation and yield trends projected by the FAA for the entire industry. The average domestic real passenger yield at STL declined at an average annual rate of 2.5 percent over the past 25 years and is projected to continue declining at an average annual rate of 0.7 percent from 2008 through 2015.
- *Income.* The demand for air travel increases with income because income growth boosts consumer spending and stimulates business activity. We used real U.S. Gross Domestic Product (GDP) as a measure of income. Historical and forecast data were obtained from Moody's economy.com, an independent economic forecasting firm. The real U.S. GDP increased at an average annual rate of 3.1 percent over the past 25 years, and is projected to grow at a slightly lower rate of 2.5 percent per year from 2008 through 2015. The regression model takes into account the effect of the economic recession, which began in December 2007 and is expected to continue through 2009.
- *Structural changes.* In specifying the explanatory variables in the regression model and selecting the historical period used to estimate the model, we considered a number of events that precipitated certain structural changes in the entire industry and the Airport market. These include: (1) the temporary transfer of certain flights by TWA from St. Louis to Atlanta in 1993; (2) the terrorist attacks on the U.S. aviation system on September 11, 2001; and (3) the restructuring of American Airlines hubs that culminated in significant downsizing of the St. Louis hub effective November 2003.

In addition to the above explanatory variables, the regression model included an autoregressive factor to correct for serial correlation typically observed in time series data.



The regression model yielded an adjusted R-squared of 0.95, meaning that the model specification explains 95 percent of the trends in passenger enplanements at STL.

The regression model results were combined with detailed information on the latest flight schedules by airlines for the second half of FY 2009 and the first half of FY 2010 and detailed information on the service reductions recently announced by American Airlines to generate three alternative forecasts of enplanements. The forecast annual enplanement levels in FY 2009 and FY 2010 are based on published airline schedules, assuming that enplanements will decrease by half as much as the percentage decrease in total scheduled seats and there will be some improvement in boarding load factors that will offset some of the capacity cuts already reflected in the published schedules. Beginning in FY 2010, the alternative forecasts differed in expectation with respect to the impact of the recently announced additional capacity cuts by American effective August and November 2009. This Report analyzed the following potential scenarios in connection the American's recently announced service reductions:

- In the base-case (*most likely*), STL would lose all connecting enplanements on eliminated flights and a few nonstop O&D enplanements on eliminated flights to destinations retaining less than 50% or none of the nonstop service currently received. As shown on page IV-28, of the 12 total destinations losing American Airlines and American Eagle flights, only three (San Diego, Cedar Rapids and Springfield) would be left with no scheduled nonstop service from any airline. The most-likely scenario assumes that STL would lose all the O&D traffic associated with the nonstop flights to be eliminated from these destinations. One other destination (Boston) would retain one of its three current daily nonstop flights from STL. The most-likely scenario assumes that STL would retain all the O&D traffic associated with one of the two daily flights to be eliminated, and lose all the O&D traffic on the other flight. The most-likely scenario implies that: (1) Much of the O&D traffic would be recaptured by remaining service. (2) Boarding load factors would improve on remaining flights by American and other airlines. (3) No additional flights would be provided by other airlines to replace lost flights by American Airlines and American Eagle, beyond what is reflected in current schedules.
- In the low-case scenario (*worst*), STL would lose all the enplanements, O&D and connecting, on the flights to be eliminated. The worst-case scenario implies that: (1) None of the O&D traffic would be recaptured by remaining service. (2) There would be no improvement in boarding load factors on remaining flights by American and other airlines. (3) No additional flights, beyond what is reflected in current schedules, would be provided by other airlines to replace lost flights by American Airlines and American Eagle. The worst-case scenario is not likely to happen. In particular, it is not likely that STL would lose entirely all of the O&D traffic associated with the flights to be eliminated. O&D traffic is germane to the St. Louis market and is not solely dependent upon the availability of nonstop flights. Besides, many of the destinations subject to flight cuts would still retain nonstop service from STL.
- In the high-case scenario (*best*), STL would lose only connecting enplanements and retain all O&D enplanements on the flights to be eliminated. The best-case scenario implies that: (1) All of the O&D traffic would be recaptured by remaining service. (2) Boarding

load factors would improve on remaining flights by American and other airlines. (3) No additional flights would be provided by other airlines to replace lost flights by American Airlines and American Eagle, beyond what is reflected in current schedules.

From FY 2011 through FY 2015, enplanements are forecast to grow according to the growth rates predicted by the regression model.

### ***FAA Terminal Area Forecasts***

The FAA develops activity for each airport annually for use in planning, budgeting, and staffing, and the most recent TAF was published in December 2008. The TAF contains forecasts of enplanements, aircraft operations, instrument operations, and based aircraft. The TAF is convenient to use because it is readily available. However, it can be outdated by the time of its publication because it takes about a year for the TAF to be produced, approved and published.

### ***Trend Extrapolation***

Trend extrapolation examines the historical enplanement growth trend and projects this trend into the future. It can be performed with a varying degree of sophistication from simple growth rate extrapolation to univariate time series regression to establish a trendline. Trend extrapolation is a relatively simple technique that requires only historical data on airport enplanements. Its major shortcoming, however, is that it relies on the assumption that historical trends will be replicated in the future. The results may be flawed if future market conditions deviate significantly from the past. A number of factors influence enplanement levels, and the future trends of these factors could differ from their past trends. In the absence of a link between forecasts and explanatory factors, the uncertainty associated with the forecasts tends to increase – and consequently forecast errors also tend to be larger – with time. Hence, the reliability of trendline forecasts is limited within the short term when the underlying explanatory variables are relatively less dynamic.

### ***Market Share Analysis***

Market share analysis (also called ratio analysis) is a top-down approach to forecasting airport activity, allocating aggregate activity – for example, national, state or regional – to the airport level. The FAA national forecasts of enplanements, updated and published annually, provide a convenient basis for implementing market share analysis. Over the past four years, the Airport's share of annual U.S. total domestic enplanements has remained at approximately 1.0 percent. Future enplanements at the Airport can be projected by applying this share to the latest national forecasts – those published in March 2009 – as of the date of this Report. Market share analysis is also easy to implement. Like trend extrapolation, however, it does not take into account trends in local market factors that could affect enplanement growth.

The above forecasting techniques and the FAA TAF produce a range of enplanement forecasts as shown in **Table IV-17** and **Figure IV-11**. Given the relative merits of multivariate regression analysis over the other forecasting techniques, we use the enplanement

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forecasts based on the regression model as the basis for projecting other relevant measures of aviation activity as input to the financial analysis in Section V.

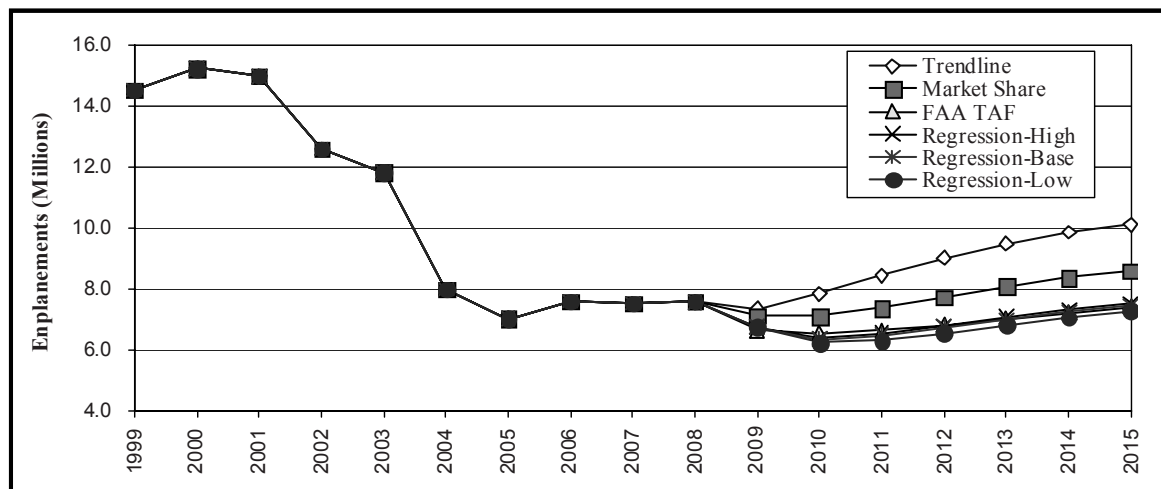
TABLE IV-17  
LAMBERT-ST. LOUIS INTERNATIONAL AIRPORT  
ALTERNATIVE FORECASTS OF ENPLANEMENTS  
FY 2008 - 2015

Fiscal Year	Regression Model						FAA TAF		Market Share		Trendline	
	Base		Low		High		EP	AGR	EP	AGR	EP	AGR
	EP	AGR	EP	AGR	EP	AGR						
2008 (Actual)	7,611,119	0.9%	7,611,119	1.0%	7,611,119	1.0%	7,611,119	0.9%	7,611,119	0.9%	7,611,119	0.9%
2009	6,764,317	-11.1%	6,764,317	-11.1%	6,764,317	-11.1%	6,663,214	-12.5%	7,160,750	-5.9%	7,376,090	-3.1%
2010	6,373,153	-5.8%	6,256,939	-7.5%	6,417,393	-5.1%	6,578,931	-1.3%	7,129,500	-0.4%	7,851,200	6.4%
2011	6,502,714	2.0%	6,335,762	1.3%	6,566,785	2.3%	6,672,670	1.4%	7,390,750	3.7%	8,471,112	7.9%
2012	6,759,941	4.0%	6,586,384	4.0%	6,826,547	4.0%	6,841,612	2.5%	7,743,500	4.8%	9,050,348	6.8%
2013	7,025,225	3.9%	6,844,858	3.9%	7,094,445	3.9%	7,032,547	2.8%	8,117,250	4.8%	9,522,705	5.2%
2014	7,271,863	3.5%	7,085,163	3.5%	7,343,513	3.5%	7,228,903	2.8%	8,394,000	3.4%	9,879,059	3.7%
2015	7,484,962	2.9%	7,292,791	2.9%	7,558,711	2.9%	7,430,835	2.8%	8,618,500	2.7%	10,134,054	2.6%
Average Annual Growth Rate												
2008-2015		-0.2%		-0.6%		-0.1%		-0.3%		1.8%		4.2%

EP - Enplanements; AGR - Annual Growth Rate

All forecasts are subject to uncertainty. The above forecasts are based on information that is available as of this Report's date. Various factors, other than those included in the forecast models, can influence the future demand for air travel. Unexpected events may occur, and some of the underlying forecast assumptions may not materialize. Therefore actual performance may differ from the forecasts, and the difference may be significant.

FIGURE IV-11  
LAMBERT-ST. LOUIS INTERNATIONAL AIRPORT  
ALTERNATIVE FORECASTS OF ENPLANEMENTS  
Historical, FY 1999 - 2008, and Forecast, FY 2009 - 2015



See Table IV-17.

Tables IV-17A, B and C present detailed forecast enplanements broken down between mainline and regional, O&D and connecting, and domestic and international.

**TABLE IV-17A**  
**LAMBERT-ST. LOUIS INTERNATIONAL AIRPORT**  
**DETAILED FORECAST OF ENPLANEMENTS - BASE**  
**FY 2008 - 2015**

Activity	Actual	Forecast							AAGR
	2008	2009	2010	2011	2012	2013	2014	2015	2008-2015
Mainline Air Carrier									
American	2,480,901	1,870,201	1,594,492	1,597,307	1,660,491	1,725,654	1,786,238	1,838,583	-4.2%
Southwest	2,029,570	2,289,261	2,289,426	2,350,582	2,443,564	2,539,458	2,628,612	2,705,642	4.2%
Others	1,009,780	798,066	772,775	793,417	824,802	857,170	887,264	913,264	-1.4%
Subtotal-Mainline	5,520,251	4,957,528	4,656,693	4,741,306	4,928,857	5,122,283	5,302,114	5,457,489	-0.2%
Regional Air Carrier									
American Connection	1,109,609	757,239	680,326	697,596	725,191	753,650	780,109	802,969	-4.5%
Others	935,098	1,035,460	995,192	1,021,776	1,062,195	1,103,879	1,142,633	1,176,118	3.3%
Subtotal-Regional	2,044,707	1,792,699	1,675,518	1,719,372	1,787,385	1,857,529	1,922,742	1,979,087	-0.5%
Charter	46,161	14,090	40,942	42,035	43,698	45,414	47,007	48,386	0.7%
<b>Total-Enplanements</b>	<b>7,611,119</b>	<b>6,764,317</b>	<b>6,373,153</b>	<b>6,502,714</b>	<b>6,759,941</b>	<b>7,025,225</b>	<b>7,271,863</b>	<b>7,484,962</b>	<b>-0.2%</b>
Annual Growth Rate		-11.1%	-5.8%	2.0%	4.0%	3.9%	3.5%	2.9%	
O&D	5,848,846	5,363,078	5,254,019	5,375,717	5,588,363	5,807,670	6,011,563	6,187,729	0.8%
Connecting	1,762,273	1,401,239	1,119,134	1,126,997	1,171,578	1,217,555	1,260,300	1,297,233	-4.3%
Domestic	7,504,901	6,669,917	6,284,212	6,411,964	6,665,602	6,927,184	7,170,379	7,380,504	-0.2%
International	106,218	94,400	88,941	90,750	94,339	98,041	101,484	104,458	-0.2%

AAGR - Average Annual Growth Rate

All forecasts are subject to uncertainty. The above forecast is based on information that is available as of the Report's date. Various factors, other than those included in the forecast model, can influence the future demand for air travel. Unexpected events may occur, and some of the underlying forecast assumptions may not materialize. Therefore actual performance may differ from the forecast, and the difference may be significant.

**TABLE IV-17B**  
**LAMBERT-ST. LOUIS INTERNATIONAL AIRPORT**  
**DETAILED FORECAST OF ENPLANEMENTS - LOW**  
**FY 2008 - 2015**

Activity	Actual	Forecast							AAGR
	2008	2009	2010	2011	2012	2013	2014	2015	2008-2015
Mainline Air Carrier									
American	2,480,901	1,870,201	1,506,910	1,462,424	1,520,273	1,579,933	1,635,401	1,683,326	-5.4%
Southwest	2,029,570	2,289,261	2,289,426	2,350,582	2,443,564	2,539,458	2,628,612	2,705,642	4.2%
Others	1,009,780	798,066	772,775	793,417	824,802	857,170	887,264	913,264	-1.4%
Subtotal-Mainline	5,520,251	4,957,528	4,569,111	4,606,424	4,788,639	4,976,562	5,151,277	5,302,232	-0.6%
Regional Air Carrier									
American Connection	1,109,609	757,239	651,693	665,526	691,853	719,003	744,246	766,056	-5.2%
Others	935,098	1,035,460	995,192	1,021,776	1,062,195	1,103,879	1,142,633	1,176,118	3.3%
Subtotal-Regional	2,044,707	1,792,699	1,646,886	1,687,303	1,754,047	1,822,882	1,886,879	1,942,173	-0.7%
Charter	46,161	14,090	40,942	42,035	43,698	45,414	47,007	48,386	0.7%
<b>Total-Enplanements</b>	<b>7,611,119</b>	<b>6,764,317</b>	<b>6,256,939</b>	<b>6,335,762</b>	<b>6,586,384</b>	<b>6,844,858</b>	<b>7,085,163</b>	<b>7,292,791</b>	<b>-0.6%</b>
Annual Growth Rate		-11.1%	-7.5%	1.3%	4.0%	3.9%	3.5%	2.9%	
O&D	5,848,846	5,363,078	5,137,804	5,208,764	5,414,807	5,627,303	5,824,864	5,995,558	0.4%
Connecting	1,762,273	1,401,239	1,119,134	1,126,997	1,171,578	1,217,555	1,260,300	1,297,233	-4.3%
Domestic	7,504,901	6,669,917	6,169,619	6,247,342	6,494,467	6,749,333	6,986,285	7,191,015	-0.6%
International	106,218	94,400	87,320	88,420	91,917	95,525	98,878	101,776	-0.6%

AAGR - Average Annual Growth Rate

All forecasts are subject to uncertainty. The above forecast is based on information that is available as of the Report's date. Various factors, other than those included in the forecast model, can influence the future demand for air travel. Unexpected events may occur, and some of the underlying forecast assumptions may not materialize. Therefore actual performance may differ from the forecast, and the difference may be significant.

TABLE IV-17C  
LAMBERT-ST. LOUIS INTERNATIONAL AIRPORT  
DETAILED FORECAST OF ENPLANEMENTS - HIGH  
FY 2008 - 2015

Activity	Actual	Forecast							AAGR
	2008	2009	2010	2011	2012	2013	2014	2015	2008-2015
Mainline Air Carrier									
American	2,480,901	1,870,201	1,629,062	1,650,547	1,715,838	1,783,173	1,845,776	1,899,865	-3.7%
Southwest	2,029,570	2,289,261	2,289,426	2,350,582	2,443,564	2,539,458	2,628,612	2,705,642	4.2%
Others	1,009,780	798,066	772,775	793,417	824,802	857,170	887,264	913,264	-1.4%
Subtotal-Mainline	5,520,251	4,957,528	4,691,263	4,794,547	4,984,204	5,179,801	5,361,651	5,518,772	0.0%
Regional Air Carrier									
American Connection	1,109,609	757,239	689,996	708,427	736,450	765,351	792,221	815,436	-4.3%
Others	935,098	1,035,460	995,192	1,021,776	1,062,195	1,103,879	1,142,633	1,176,118	3.3%
Subtotal-Regional	2,044,707	1,792,699	1,685,188	1,730,203	1,798,645	1,869,230	1,934,854	1,991,554	-0.4%
Charter	46,161	14,090	40,942	42,035	43,698	45,414	47,007	48,386	0.7%
<b>Total-Enplanements</b>	<b>7,611,119</b>	<b>6,764,317</b>	<b>6,417,393</b>	<b>6,566,785</b>	<b>6,826,547</b>	<b>7,094,445</b>	<b>7,343,513</b>	<b>7,558,711</b>	<b>-0.1%</b>
Annual Growth Rate		-11.1%	-5.1%	2.3%	4.0%	3.9%	3.5%	2.9%	
O&D	5,848,846	5,363,078	5,298,259	5,439,788	5,654,969	5,876,890	6,083,213	6,261,478	1.0%
Connecting	1,762,273	1,401,239	1,119,134	1,126,997	1,171,578	1,217,555	1,260,300	1,297,233	-4.3%
Domestic	7,504,901	6,669,917	6,327,835	6,475,142	6,731,278	6,995,437	7,241,029	7,453,224	-0.1%
International	106,218	94,400	89,558	91,643	95,269	99,008	102,484	105,487	-0.1%

AAGR - Average Annual Growth Rate

All forecasts are subject to uncertainty. The above forecast is based on information that is available as of the Report's date. Various factors, other than those included in the forecast model, can influence the future demand for air travel. Unexpected events may occur, and some of the underlying forecast assumptions may not materialize. Therefore actual performance may differ from the forecast, and the difference may be significant.

### Forecast Aircraft Departures (Arrivals)

The regression model enplanement forecasts in **Tables IV-17A, B and C** served as the basis for developing the forecast of aircraft departures (arrivals). The following factors were considered in projecting the number of passenger aircraft departures needed to accommodate forecast enplanements:

- *Scheduled aircraft departures and seats by airline.* Published airline schedules in the Official Airline Guide (OAG) database were used to establish the baseline data on the number of flights and fleet mix for FY 2008, 2009 and 2010.
- *American Airlines' capacity adjustment plans.* Recent announcement of further capacity cuts by American Airlines effective August and November 2009 were taken into account in projecting the aircraft departures in FY 2010.
- *Actual and forecast enplanements.* Actual data on enplanements by airline in FY 2008 and the first half of FY 2009, along with data on aircraft departures and seats, were used to establish the baseline boarding load factors in FY 2008 and 2009. Forecast enplanements served as the basis for projecting aircraft departures from FY 2010 through FY 2018.
- *Boarding load factors.* Over the long-term, boarding load factors were projected to improve following forecast industry trends according the FAA Aerospace Forecasts as of March 2008.
- *Aircraft fleet mix.* Changes in aircraft fleet mix as indicated by airline flight schedules for STL in FY 2008 and 2009, as well as the projected industry trends, point to the substitution of larger aircraft for smaller aircraft.

**Table IV-18** presents the detailed forecast of aircraft departures, which are assumed to equal aircraft arrivals. Aircraft departures are projected to decrease (-0.9 percent per year on average between FY 2008 and 2015), reflecting scheduled flight reductions in FY 2009 and the first half of FY 2010, projected improvements in aircraft load factors, and projected changes fleet toward larger aircraft.



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**TABLE IV-18**  
**LAMBERT-ST. LOUIS INTERNATIONAL AIRPORT**  
**DETAILED FORECAST OF AIRCRAFT DEPARTURES (ARRIVALS)**  
**FY 2008 - 2015**

Activity	Actual	Forecast							AAGR
	2008	2009	2010	2011	2012	2013	2014	2015	2008-2015
Mainline Air Carrier									
American	18,640	15,898	12,622	12,066	12,652	13,257	13,819	14,304	-3.7%
Southwest	25,531	25,619	25,284	25,955	26,977	28,032	29,011	29,857	2.3%
Others	10,780	8,150	8,507	8,732	9,076	9,431	9,761	10,045	-1.0%
Subtotal-Mainline	54,951	49,668	46,412	46,753	48,706	50,720	52,591	54,206	-0.2%
Regional Air Carrier									
American Connection	34,074	24,599	19,498	19,633	20,365	21,112	21,782	22,325	-5.9%
Others	25,038	26,894	27,632	27,472	28,341	29,228	30,022	30,666	2.9%
Subtotal-Regional	59,112	51,493	47,130	47,105	48,705	50,340	51,805	52,991	-1.5%
Charter	456	308	321	329	342	356	368	379	-2.6%
Subtotal-Passenger	114,519	101,469	93,863	94,187	97,753	101,415	104,764	107,576	-0.9%
All-Cargo	1,656	1,527	1,460	1,484	1,537	1,591	1,640	1,681	0.2%
<b>Total -Departures</b>	<b>116,175</b>	<b>102,996</b>	<b>95,324</b>	<b>95,671</b>	<b>99,290</b>	<b>103,006</b>	<b>106,404</b>	<b>109,257</b>	<b>-0.9%</b>
Annual Growth Rate		-11.4%	-7.5%	0.3%	3.8%	3.7%	3.3%	2.7%	

AAGR - Average Annual Growth Rate

All forecasts are subject to uncertainty. The above forecast is based on information that is available as of the Report's date. Various factors, other than those included in the forecast model, can influence the future demand for air travel. Unexpected events may occur, and some of the underlying forecast assumptions may not materialize. Therefore actual performance may differ from the forecast, and the difference may be significant.

### Forecast Aircraft Landed Weight

The forecast of aircraft departures in **Table IV-18** served as the basis for developing the forecast of aircraft landed weight. In projecting aircraft landed weight, the following factors were considered:

- *Current and projected allocation of aircraft departures by airline and between mainline and regional carriers.* See **Table 1V-18**.
- *Actual landings and landed weight in FY 2008 and the first half of FY 2009.* Actual aircraft landings and landed weight were used to establish the baseline data on the average aircraft landed weight by airline.
- *Aircraft fleet mix.* Changes in the aircraft fleet mix as indicated by airline flight schedules for STL in FY 2008 and 2009, as well as the projected industry trends, point to the substitution of larger aircraft for smaller aircraft.

**Table IV-19** presents the detailed forecast of aircraft landed weight. Total aircraft landed weight is projected to decrease at a slower rate (-0.5 percent per year on average between FY 2008 and 2015) than aircraft landings (-0.9 percent per year on average), reflecting changes in fleet toward larger aircraft as indicated by the published flight schedules for FY 2009 and the first half for FY 2010, as well as projected industry trends.

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**TABLE IV-19**  
**LAMBERT-ST. LOUIS INTERNATIONAL AIRPORT**  
**DETAILED FORECAST OF AIRCRAFT LANDED WEIGHT (In Thousand Pounds)**  
**FY 2008 - 2015**

Activity	Actual	Forecast							AAGR
	2008	2009	2010	2011	2012	2013	2014	2015	2008-2015
Mainline Air Carrier									
American	2,563,305	2,191,140	1,737,573	1,659,018	1,737,592	1,818,486	1,893,315	1,957,441	-3.8%
Southwest	3,032,132	3,074,663	3,030,768	3,107,521	3,226,083	3,348,166	3,461,046	3,557,680	2.3%
Others	1,287,152	989,925	1,015,963	1,041,692	1,081,437	1,122,361	1,160,199	1,192,593	-1.1%
Subtotal-Mainline	6,882,589	6,255,728	5,784,305	5,808,230	6,045,112	6,289,012	6,514,561	6,707,714	-0.4%
Regional Air Carrier									
American Connection	1,425,529	1,021,482	807,956	818,966	855,045	892,229	926,562	955,856	-5.5%
Others	1,171,635	1,274,161	1,315,073	1,297,963	1,347,788	1,399,105	1,446,598	1,487,320	3.5%
Subtotal-Regional	2,597,164	2,295,643	2,123,029	2,116,929	2,202,833	2,291,334	2,373,160	2,443,175	-0.9%
Charter	55,924	15,293	15,882	16,286	16,909	17,551	18,145	18,653	-14.5%
Subtotal-Passenger	9,535,677	8,566,665	7,923,217	7,941,445	8,264,855	8,597,897	8,905,865	9,169,542	-0.6%
All-Cargo	430,150	423,582	405,092	411,473	426,069	441,055	454,759	466,268	1.2%
<b>Total -Landed Weight</b>	<b>9,965,828</b>	<b>8,990,247</b>	<b>8,328,308</b>	<b>8,352,919</b>	<b>8,690,923</b>	<b>9,038,953</b>	<b>9,360,625</b>	<b>9,635,810</b>	<b>-0.5%</b>
Annual Growth Rate		-10.2%	-7.5%	0.2%	4.1%	4.0%	3.6%	3.0%	

AAGR - Average Annual Growth Rate

All forecasts are subject to uncertainty. The above forecast is based on information that is available as of the Report's date. Various factors, other than those included in the forecast model, can influence the future demand for air travel. Unexpected events may occur, and some of the underlying forecast assumptions may not materialize. Therefore actual performance may differ from the forecast, and the difference may be significant.

## C. FORECAST UNCERTAINTY AND RISK FACTORS

The forecasts of aviation activity have been developed based on specific assumptions about the availability and characteristics of airline service at the Airport, key measurable factors that drive demand for air travel, and information available at the time of the analysis. There are broader factors affecting the entire aviation industry and introduce risk and uncertainty into the forecasts. Some of these factors are discussed below.

### National Economic Conditions

The multivariate regression model used to develop a forecast of long-term growth in enplanements explicitly considered the effect of national economic trends. Air travel demand is affected by prevailing economic conditions. Economic expansion increases income, boosts consumer confidence, stimulates business activity, and increases air travel demand. In contrast, economic recession reduces income, diminishes consumer confidence, dampens business activity, and weakens air travel demand. The NBER Business Cycle Dating Committee, responsible for keeping a chronology of the beginning and ending dates of U.S. recessions, determined that the U.S. economy peaked in December 2007 and entered another period of recession.<sup>4</sup> Compared to the 2001 recession, which was mild and brief, the present recession is predicted to be deeper and longer, lasting through 2009. **Figure IV-12** shows the actual percent changes in U.S. real GDP, a broad measure of economic activity, from the first quarter of CY 2007 through the first quarter of CY 2009. Economic forecasts by independent sources are consistent in the expectation that the recession will continue to deepen at least through the end of the second quarter of CY 2009; subsequent recovery will be sluggish through CY 2010; and the economy will return to a path of robust growth beginning in CY 2011 (**Table IV-20**).

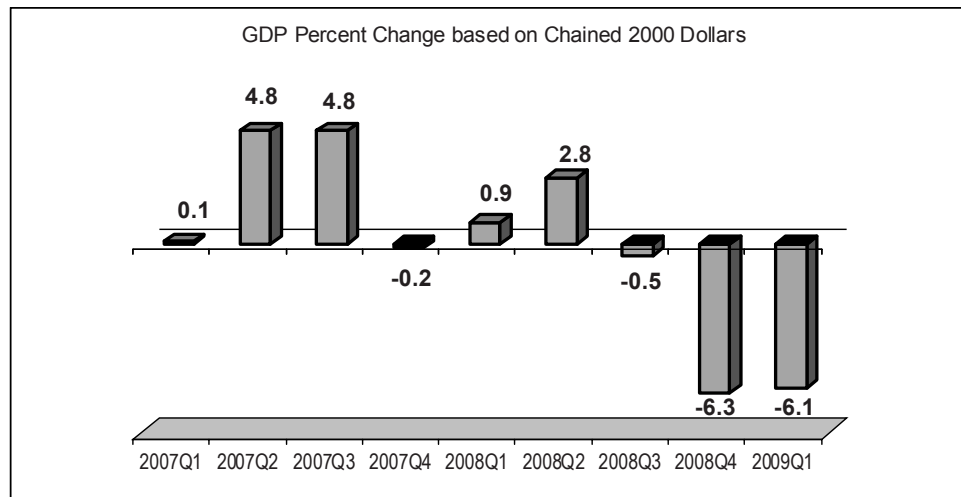
The slowdown in economic activity has spread globally with the continued deleveraging of the financial sector. Sources such as the International Monetary Fund, the World Bank and the United Nations all predict a global recession in CY 2009, led by a contraction in advanced economies.<sup>5</sup>

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<sup>4</sup> NBER Business Cycle Dating Committee, *Determination of the December 2007 Peak in Economic Activity*, December 11, 2008.

<sup>5</sup> International Monetary Fund, *World Economic Outlook Update*, November 6, 2008; The World Bank, *Global Economic Prospects*, December 9, 2008; and The United Nations, *World Economic Situation and Prospects*, 2009.

**FIGURE IV-12**  
**ANNUAL PERCENT CHANGE IN U.S. REAL GROSS DOMESTIC PRODUCT**  
**First Quarter 2007 - First Quarter 2009**



Source: U.S. Bureau of Economic Analysis.

**TABLE IV-20**  
**FORECAST PERCENT CHANGE IN REAL GDP**  
**CY 2009 - 2014**

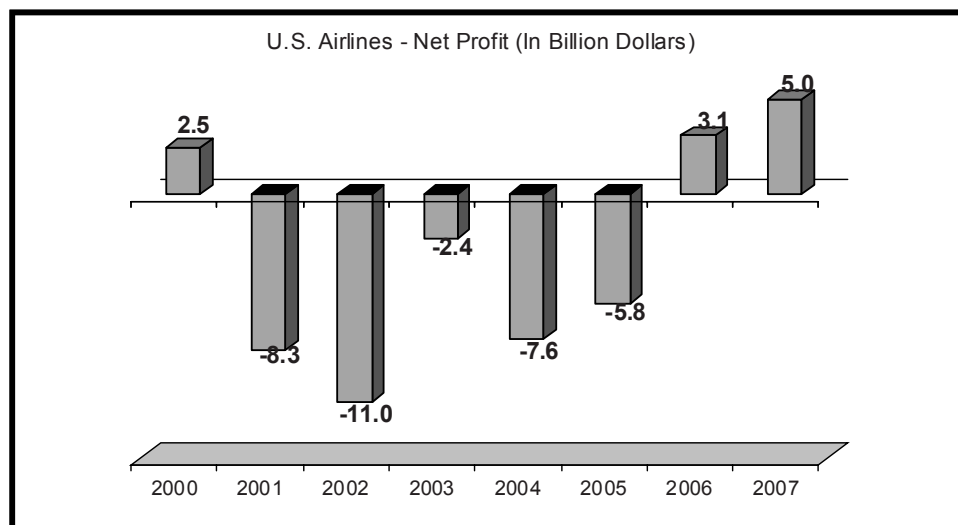
Source	2009	2010	2011	2012	2013	2014
Moody's economy.com, May 2009	-2.6	1.6	4.8	5.9	3.7	2.6
Economic Report of the President, January 2009	0.6	5.0	5.0	3.4	2.7	2.7
Congressional Budget Office Budget and Economic Outlook: FY 2009 to 2019, January 2009	-2.2	1.5	4.2	4.4	4.2	3.5
Federal Reserve Bank of Philadelphia Survey of Professional Forecasters, February 2009	-2.2	2.2				
Wachovia Economics Group Monthly Outlook, February 2009	-2.7	1.1				

### **U.S. Airlines' Financial Performance**

Financial weakness and volatility has characterized the U.S. airline industry especially over the past decade. As shown in **Figure IV-13**, U.S. airlines posted net losses during five consecutive years from 2001 through 2005, with cumulative losses totaling \$35.1 billion. In 2006, the industry began to see positive results, which continued to improve in 2007 despite

record high oil prices. U.S. airlines realized a net profit of \$3.1 billion in 2006 and \$5.0 billion in 2007. However, jet fuel prices continued to escalate through June 2008, forcing some airlines into bankruptcy and liquidation, and others into reducing staff and seat capacity nationwide, including at STL. Jet fuel prices have since fallen significantly providing airlines with cost relief, but the demand for air travel has continued to weaken with the national and global economic slowdown. Consequently, all U.S. major airlines but Southwest reported losses for 2008.<sup>6</sup>

**FIGURE IV-13**  
**U.S. AIRLINES FINANCIAL RESULTS**  
**CY 2000 - 2007**



2001 and 2002 results include 9/11/01-related compensation, and 2003 results include security cost reimbursements remitted to carriers.

Source: Air Transport Association.

## **National Security and Threat of Terrorism**

Terrorism remains the greatest risk to achieving forecast aviation demand, as stated by the FAA.<sup>7</sup> The government has implemented tighter security measures with the creation of the Department of Homeland Security. The potential, however, remains for terrorists to disrupt economic and social activities, including air travel. The U.S. Department of Homeland Security periodically issues updates of their assessment of intelligence regarding potential threats against the United States, including threats that may target the national aviation system. The U.S. involvement in Iraq and in international coalition efforts aimed at dismantling terrorist networks worldwide will continue to have implications for domestic

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<sup>6</sup> Southwest Airlines, "Southwest Airlines Reports 36th Consecutive Year of Profitability and Fourth Quarter Results," *News Release*, January 22, 2009.

<sup>7</sup> Federal Aviation Administration, *Aerospace Forecast, Fiscal Years 2008-2025*, page 49.

security. Travel restrictions imposed pursuant to increased airport security may have a dampening effect on travel demand.

### Price of Jet Fuel

The financial health of the airline industry is affected by the price of jet fuel. Volatile fuel prices increased airline costs dramatically during the first seven months of 2008 and contributed to airline industry losses for that year. The price of fuel has begun to drop since July 2008, providing airlines substantial cost relief during the second half of the year.

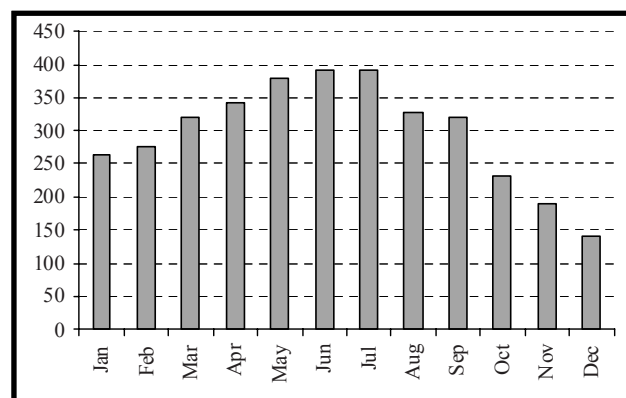
From 2000 to 2008, the price of jet fuel more than tripled, while the U.S. Consumer Price Index – the price of a representative basket of U.S. goods and services – increased only 25.0 percent (**Table IV-21**). As a result, according to the Air Transport Association (ATA), fuel expenses, which historically ranged from 10 to 15 percent of U.S. passenger airline operating costs, now run between 30 and 50 percent. Fuel prices have fallen dramatically since July 2008 (**Figure IV-14**).

Fuel price volatility can work both ways in affecting airlines' financial results. Airlines have protected themselves from sharp fuel price increases by the practice of hedging. Among U.S. airlines, Southwest fared the best in hedging against fuel price increase, and this has been a significant factor in their ability to maintain profitability in recent years. The practice of price hedging, however, could work against airlines, beneficial interest in times of sharply declining fuel prices

**TABLE IV-21**  
**U.S. AVERAGE JET FUEL PRICE AND**  
**THE U.S. CONSUMER PRICE INDEX**  
**2000 - 2008**

Year	U.S. Jet Fuel Price (Cents per gallon)	U.S. CPI (1982-84=100)
2000	90.1	172.2
2001	74.7	177.1
2002	70.9	179.9
2003	85.7	184.0
2004	120.8	188.9
2005	172.7	195.3
2006	197.0	201.6
2007	216.5	207.3
2008	298.0	215.3
<b>Percent Change</b>		
2000-2008	230.7%	25.0%

**FIGURE IV-14**  
**U.S. JET FUEL PRICE**  
**(CENTS PER GALLON)**  
**January - December 2008**



Sources: Energy Information Administration, compiled by Air Transport Association.



### **Structural Changes in the Travel Market**

Many factors have combined to alter consumer travel patterns. The various security measures now in place at airports have resulted in new passenger fees and longer security processing lines, adding to the cost of air travel. The ATA observes a disproportionate decline in short-haul air travel and a consistent rise in automobile travel. Leisure and business travelers alike have become more sensitive to price. Efforts of airlines to stimulate traffic with fare discounts have changed consumer expectations – consumers have now come to expect low fares. In addition, the availability of fully transparent price information on the Internet has also made it easy to compare fares across airlines. Most consumers now bypass travel agencies altogether and purchase tickets online. This has made pricing and marketing even more competitive. Finally, corporate cost-cutting has made business customers more amenable to communication substitutes such as tele- and video-conferencing.

### **Presence of Other Airports in the St. Louis Area**

No other airport in the area poses significant competition to Lambert-St. Louis International Airport. The closest major commercial airports are more than 250 road miles from St. Louis, and these are Kansas City International Airport in Kansas City, Missouri and Indianapolis International Airport in Indianapolis, Indiana. There are six other airports in the area, which are identified by the FAA as general aviation reliever airports: the Spirit of St. Louis Airport, St. Louis Downtown Parks Airport in Illinois, St. Louis Regional Airport in Illinois, St. Charles Municipal, St. Charles County/Smart, and Creve Coeur. These airports have short runways and cannot accommodate large commercial aircraft. A relatively new airport, MidAmerica Airport, opened in November 1997 approximately 25 miles from downtown St. Louis in St. Clair County, Illinois. MidAmerica Airport is a joint-use facility with Scott Air Force Base. It has a 10,000-foot runway and a terminal with four aircraft gates – enough capacity for 1.25 million annual enplanements. MidAmerica Airport owns land that can accommodate the expansion of the terminal to 85 gates, but not a second runway. At present, MidAmerica Airport does not have any commercial passenger service.

## **D. SUMMARY**

The past eight years have been particularly challenging for the Airport. A number of events took place that either caused traffic levels to fall or kept them from recovering:

- American Airlines' acquisition of TWA 2001 resulted in the downsizing and continued streamlining of the airline's hub operations at STL
- Economic recession and terrorist attacks in 2001
- International events such as the SARS epidemic and the Iraq War in 2003
- The U.S. economy entering into another recession beginning in December 2007

The highlights of the historical and forecast trends in aviation activity at the Airport are as follows:

- Annual enplanements increased nearly five-fold from 3.19 million in 1975 to 15.31 million in 2000 and then decreased to 6.71 million in 2004, following the downsizing of the American Airlines' hub. Annual enplanement levels have since risen gradually, reaching 7.72 million in 2007. In 2008, annual enplanements declined to 7.21million, as the U.S. economy entered another period of recession and airlines have responded with another round of capacity adjustments. Overall, between 1975 and 2008, enplanements at the Airport increased at an average annual rate of 2.5 percent.
- The Airport's share of annual U.S. enplanements declined from more than two percent prior to 2003 to approximately one percent after 2003, right on the cut-off between the FAA's medium and large hub classifications.
- The trends in O&D and connecting traffic clearly show the fundamental changes in the Airport's role from a primary to a secondary hub in American Airlines' route system and the Airport's underlying traffic base. The downsizing of American Airlines' hub operations at the Airport caused a significant decline in connecting traffic, with the connecting segment share falling from a peak of 55.2 percent in 2002 to 21.4 percent in 2008. The O&D segment now accounts for a large majority of enplanements – 78.6 percent in 2008. The data for the first quarter of 2009 show a further increase in the O&D share to 83.3 percent.
- The Airport serves primarily domestic enplanements, which accounts for approximately 99 percent of total enplanements.
- Together American Airlines and its American Connection operators accounted for the largest share of enplanements, but their combined share declined from 48.8 percent in 2004 to 39.8 percent as of March 2009. Southwest held the second largest share of enplanements, which increased from 23.6 percent in 2003 to 32.6 percent as of March 2009.
- Total commercial aircraft departures decreased at an average annual rate of 3.0 percent, while total commercial aircraft landed weight stayed relatively flat from 2004 to 2008.
- This section presented forecasts of aviation activity at STL using a hybrid modeling approach: capacity driven in the near term and demand driven in the long term. Forecasts are presented for annual enplanements, aircraft departures and landed weight for the period FY 2009-2016.

## SECTION V FINANCIAL ANALYSIS

This section reviews the framework for the financial operation of the Airport including: key provisions of the Indenture and the AUA, review of the Airport's recent historical financial performance, and examination of the ability of the Airport to generate sufficient Revenues in each year of the forecast period FY 2009 through FY 2015 to (1) pay Operation and Maintenance (O&M) Expenses and meet all of the other funding requirements of the Indenture and (2) satisfy the relevant provisions of the Additional Bonds Test. This section also discusses the information and assumptions underlying the financial forecasts.

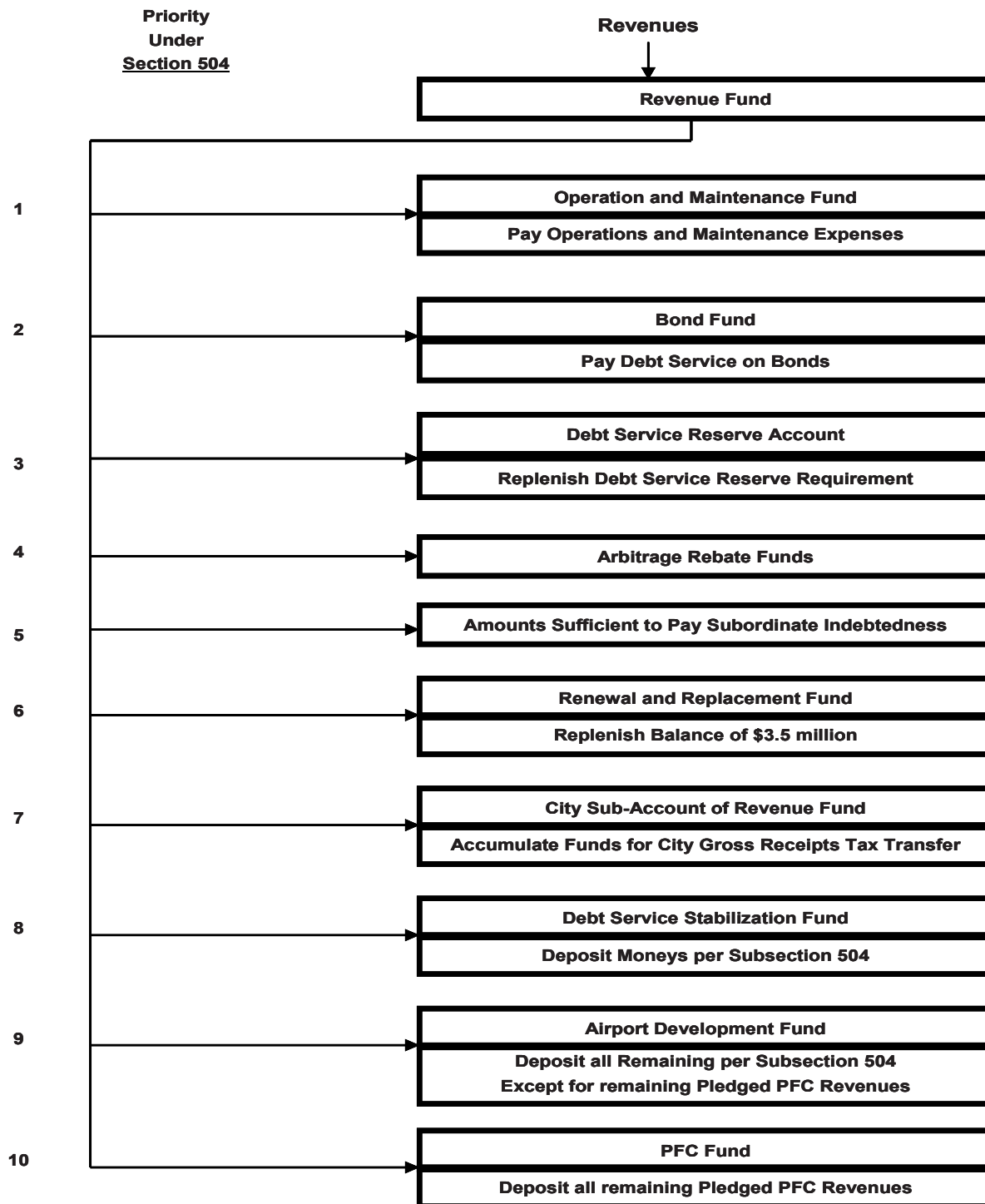
### A. FRAMEWORK FOR AIRPORT FINANCIAL OPERATIONS

#### 1. Indenture

The Series 2009 Bonds are being issued pursuant to the Indenture and are limited obligations of the City payable solely from Airport Revenues (as defined in the Indenture).

**Exhibit V-1** depicts the application of Revenues to the funds and accounts established by the Indenture. The Revenues are first deposited in the Airport Revenue Fund, which then flows to the Operation and Maintenance (O&M) Fund to pay O&M Expenses. The remaining Airport Revenues are available for deposit, in the following order of priority: in the Bond Fund (for payment of Debt Service); in the Debt Service Reserve Account (to restore any deficiency and maintain a balance equal to the Debt Service Reserve Requirement); in the Arbitrage Rebate Fund (to fund Rebate Amount); amounts sufficient to pay Subordinate Indebtedness in accordance with the authorizing and implementing documents of such Subordinate Indebtedness; in the Renewal and Replacement Fund (to maintain a balance of \$3.5 million); in the City General Fund (to pay the 5% gross receipts tax required under Section 504.B); to the Debt Service Stabilization Fund pursuant to the calculations set forth in subsection 504 (A); and the remainder to the ADF, except for remaining PFC Pledged Revenues that are deposited in the PFC Account.

### Exhibit V-1 Application of Airport Revenues Under the Indenture



## **2. Airport Accounting and Financial Reporting**

The City operates the Airport as an Enterprise Fund in accordance with generally accepted accounting principles (GAAP) applicable to governmental entities. Financial statements for the Airport are prepared each fiscal year based on GAAP and audited by independent certified public accountants. The Airport also maintains internal financial statements, which contain more detailed itemization of revenues and expenses.

The financial projections are presented in this Report according to the methodology set forth in the Indenture. **Table V-1** summarizes historical *net income*, (as determined under GAAP) and historical *Net Revenues* (as defined in the Indenture) for the most recent five fiscal years and shows the reconciliation of net income to Net Revenues. The major differences in the two bases of accounting are as follows:

- Under GAAP, operating revenues exclude interest income and PFC revenue; however, *all* interest income and *all* PFC revenues are reported as nonoperating revenues and are part of reported *net income*. Under the Indenture, Revenues include all interest income other than interest on the Construction Fund and only those PFC revenues that are specifically pledged as Revenues.
- Under GAAP, operating expenses *include* depreciation, interest and grant funded expenses; under the Indenture, Operation and Maintenance Expenses specifically *exclude* depreciation, interest and all expenses funded with grants.
- Under GAAP, bond interest is recognized as an expense in calculating net income; however, bond principal is not recognized as an expense; under the Indenture, neither bond interest nor bond principal is recognized as an expense in calculating Net Revenue.

As indicated in **Table V-1**, Net Revenues during the most recent five fiscal years ranged from \$75.9 million in FY 2004 to \$82.6 million in FY 2008, which represents an increase of \$6.7 million or an average annual growth rate of 2.1%. The increase was primarily due to (1) the completion of the new runway during FY 2006 that allowed the Airport to begin amortizing the cost of the runway in the airline's rate base and (2) the increased concession revenues attributed to the increase in O&D passengers.

The audited financial statements of the Airport for the fiscal year ended June 30, 2008, are included in their entirety in Appendix B of the Official Statement.

# LAMBERT-ST. LOUIS INTERNATIONAL AIRPORT

## Financial Feasibility Report

**Table V-1**  
**SUMMARY OF HISTORICAL FINANCIAL OPERATIONS**  
**Lambert-St. Louis International Airport**  
For Fiscal Years Ending June 30  
(all figures in thousands)

	2004	2005	2006	2007	2008
Statement of Net Income (GAAP)					
Operating revenues	119,340	110,323	115,735	125,767	134,618
Operating expenses					
Maintenance and operating expenses	73,622	74,185	76,833	89,023	93,600
Depreciation and amortization	30,468	31,757	31,025	46,276	47,446
Total	\$104,090	\$105,942	\$107,858	\$135,299	\$141,046
Operating income	\$15,250	\$4,381	\$7,877	(\$9,532)	(\$6,428)
Non-operating revenues (expenses)					
PFC revenues	31,434	27,164	33,434	29,175	28,842
Investment revenue	7,403	9,793	10,302	10,168	8,381
Interest expense	(40,757)	(36,216)	(39,594)	(41,023)	(41,958)
Other <sup>1</sup>	2,321	2,688	5,591	(76,851)	(28,339)
Total	\$401	\$3,429	\$9,733	(\$78,531)	(\$33,074)
Net income	\$15,651	\$7,810	\$17,610	(\$88,063)	(\$39,502)
Statement of Net Revenues (Trust Indenture)					
Revenues					
GARB Revenues					
Operating revenue	119,340	110,522	115,735	131,767	139,605
Interest income (excluding construction funds)	5,443	6,179	5,451	6,296	5,715
Total GARB Revenues	\$124,783	\$116,701	\$121,186	\$138,062	\$145,320
Pledged PFC Revenues	18,766	18,766	18,493	25,884	25,555
Total Revenues	\$143,549	\$135,468	\$139,680	\$163,947	\$170,875
Operation and Maintenance Expenses	67,612	67,640	70,330	81,317	88,308
Net Revenues	\$75,937	\$67,828	\$69,350	\$82,629	\$82,567
Transfers					
City General Fund (Sec 5.04(B) transfer)	5,434	5,570	5,407	5,553	5,831
Total	\$5,434	\$5,570	\$5,407	\$5,553	\$5,831
Reconciliation of Net Income to Net Revenues					
Net income	\$15,651	\$7,810	\$17,610	(\$88,063)	(\$39,502)
add back:					
Depreciation and amortization	30,468	31,757	31,025	46,276	47,446
Amortization of bond issue costs		(1,279)	(872)	(1,865)	(1,537)
Interest expense	40,757	36,216	39,594	41,023	41,958
Pledged PFC Revenues	18,766	18,766	18,493	25,884	25,555
Loss on disposal of surplus property	0	0	0	76,209	31,044
Loss on sale of stock					120
Impairment of capital assets	0	0	0	1,775	0
Loading bridges and Carousel	0	0	0	1,105	1,377
Airfield rate mitigation	0	0	0	6,000	5,000
TSA - Contractual Guard Posts	324	0	0	0	
Audit Adjustment - Pension Obligation	0	1,663	1,594	1,340	0
Investment Advisory Fees	649	492	370	318	354
Acoustical Treatment	3,533	4,391	5,315	4,943	5,052
deduct:					
PFC revenues	(31,434)	(27,164)	(33,434)	(29,175)	(28,842)
Interest income on construction bonds / PFC	(1,960)	(3,614)	(4,851)	(3,872)	(2,666)
Other adjustments (net)	(817)	(1,210)	(5,495)	732	(2,792)
Net Revenues	\$75,937	\$67,828	\$69,350	\$82,629	\$82,567

<sup>1</sup> Refer to footnote 18 in the Airport's audited financial statements for explanation of losses on disposal of surplus property in FYs 2007 and 2008.

Source: Airport Records

### **3. Airport Cost Accounting**

Airport management has implemented a cost/revenue accounting system to facilitate the monitoring of revenues and operating expenses and the calculation of Airport rates and charges. Cost/revenue centers include:

- Airfield
- Terminals
- Cargo
- Hangar and Other Buildings
- Parking
- Roads and Grounds

Revenues are accounted for by cost/revenue center and by type. O&M expenses are accounted for by object classification and assigned, or allocated to cost/revenue centers. Overhead expenses are allocated to cost/revenue centers based on the “direct expense method<sup>1</sup>.”

### **4. Airport Use Agreements/Airline Rates and Charges Methodology**

The City and the airlines signed a new AUA for a five and one-half year term beginning January 1, 2006 through June 30, 2011. The AUA modified certain aspects of the rate-making procedures of the previous AUA, which expired December 31, 2005, but preserved the underlying rate-making concepts (compensatory terminal rentals and cost center residual landing fees). The AUA sets forth the procedures for calculating landing fees and terminal building space rentals, as well as certain other fees and charges that are briefly summarized below.

**Landing Fees.** Under the terms of the AUA, the Signatory Airlines are charged landing fees calculated based on a “cost center residual” rate methodology<sup>2</sup>. In calculating the annual landing fee rate, the total annual costs of the Airfield are first calculated by adding the following costs allocable to the Airfield:

- Direct and indirect O&M Expenses;
- Equipment and Capital Outlays (items costing less than \$100,000 each);
- Depreciation and interest associated with assets placed in service on or before June 30, 1997;
- Amortization of Capital Improvements (items costing more than \$100,000)
- Interest on the net cost of land investment made prior to July 1, 1997;
- Amortization of land investment made on or after July 1, 1997; and
- Any replenishment of the Debt Service Reserve Account or the Renewal and Replacement Fund, as may be required by the Indenture.

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<sup>1</sup> Direct expense method refers to the method used to allocate indirect costs to the direct cost centers. This method allocates indirect costs to direct cost centers based on each direct cost center's, proportionate share of total costs.

<sup>2</sup> Under the terms of the AUA, Non-signatory airlines will pay the same landing fee rate as signatory airlines.



LAMBERT-ST. LOUIS INTERNATIONAL AIRPORT  
Financial Feasibility Report

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The annual “Airfield Requirement” is then calculated by subtracting from the total costs of the Airfield the following revenue items and credits:

- Non-signatory Airline landing fees,
- General aviation landing fees,
- General aviation fuel flowage fees, and
- Military use fees

Based on the Airfield Requirement, two different Landing Fee Rates are then calculated:

- An “Unmitigated Landing Fee Rate” -- by dividing the Airfield Requirement by the aggregate landed weight for all Signatory Airlines for the particular Fiscal Year; and
- A “Mitigated Landing Fee Rate” -- by subtracting from the Airfield Requirement the amount transferred from the Airport Contingency Fund to the Airport Revenue Fund for landing fee rate mitigation, if any, to produce the “Mitigated Airfield Requirement” for that year and then dividing the Mitigated Airfield Requirement by the aggregate landed weight for all Signatory Airlines for the particular Fiscal Year.

**Landing Fee Rate Mitigation.** Subject to the availability of funds and annual appropriations, the City will make available up to \$40 million for landing fee rate mitigation in annual installments as follows:

FY 2007	\$12,000,000
FY 2008	10,000,000
FY 2009	8,000,000
FY 2010	6,000,000
FY 2011	<u>4,000,000</u>
Total	<u>\$40,000,000</u>

The Landing Fee Rate Mitigation program is structured to provide a continuing incentive for growth in air service at the Airport. Fifty percent of the total annual amounts to be provided for rate mitigation will be made available so long as the Participating Airlines<sup>3</sup> maintain the current (FY 2005) level of air service at the Airport (as measured by total aggregate landed weight) and fifty percent will be made available in increments as additional thresholds of air service growth are realized:

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<sup>3</sup> The Participating Airline as defined in the AUA means a signatory airline that has elected to sign the Participating Commitment, which basically is an irrevocable commitment made to the City that the sum of annual rents, fees and charges will equal or be greater than \$100,000 during each fiscal year of the agreement.

In FYs 2007 and 2008, the Airlines earned 50% of the maximum amount or \$6 million and \$5 million respectively based on the revised landed weight mitigation target that became effective with the signing of the First Amendment to the AUA dated April 1, 2008.<sup>4</sup>

Following FY 2008, airline traffic at the Airport has continued to decline due to the overall economic conditions facing the U.S, as previously discussed in Section IV of this report. As a result, the current traffic forecast indicates that the Participating Airlines' landed weight activity will not meet the designated traffic target to earn the remainder of the rate mitigation moneys earmarked for fiscal years 2009 through 2011.<sup>5</sup> These unused funds would be retained in the Airport's ADF and be used for any other Airport purpose as designated by Airport management.

**Terminal Building Space Rentals.** The AUA defines two terminal cost centers: the *West Terminal* (a consolidation of the Main Terminal and various concourse cost centers in use today), and the *East Terminal*, (which includes the International area – City operated international facility situated between the West and East Terminals).

Under the terms of the AUA, the Signatory Airlines are charged terminal building rental rates calculated based on a “compensatory” (cost recovery) rate methodology.<sup>6</sup> In calculating the annual rental rate for each terminal cost center, the total annual costs of the terminal facility are first calculated by adding the following costs allocable to the particular terminal cost center:

- Direct and indirect O&M Expenses;
- Equipment and Capital Outlays (items costing less than \$100,000 each);
- Depreciation and interest on assets placed in service on or before June 30, 1997;
- Amortization of Capital Improvements (items costing more than \$100,000 each);
- Fifty percent (50%) of the total costs in the Terminal Roadways cost center further allocated among each of the terminal facilities based on square footage; and
- Any replenishment of the Debt Service Reserve Account, and the Renewal and Replacement Fund, as may be required by the Indenture.

The total costs attributable to each terminal cost center are then divided by the Usable Space, which represents the gross space less mechanical and utility space associated with that cost center, to determine the average rental rate for the particular terminal facility. In this way, the airlines pay only for the space they occupy and use, and the City assumes the financial risk of absorbing costs associated with public and other non-airline space, as well as unoccupied airline space.

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<sup>4</sup> The First Amendment dated April 1, 2008 was executed to adjust the definition of the Base Landed Weight to 9,323,323 thousand pound units to be effective beginning in FY 2008 and for the remainder of the mitigation program. The Base Landed Weight represents the target that the Airlines' annual landed weights are measured against to determine the amount of rate mitigation earned for a specific fiscal year.

<sup>5</sup> The AUA allows for 50% of the annual mitigation amount to be offset against the Airlines' current landing fee rate, however it is refunded during rate settlement if the target is not met.

<sup>6</sup> Non-signatory airlines are required to pay 125% of the Signatory Airline terminal rate as specified in the AUA.

**Loading Bridge Charges.** The City currently owns 52 out of a total of 70 loading bridges at the Airport. Many of these bridges were acquired by the City from TWA as part of a 1993 asset purchase transaction. The AUA was structured to allow the City to develop a loading bridge program that would involve (1) acquiring some of the existing loading bridges not owned by the City from the airlines that owned them, and (2) acquiring new loading bridges to both (a) replace older bridges that are no longer economical to maintain and (b) install loading bridges on gates (principally in Concourse B) that do not currently have them. Under the AUA, new cost centers would be established (West Terminal Loading Bridges and East Terminal Loading Bridges) to account for all operating and capital costs associated with the loading bridges owned by the City. The City will then calculate separate loading bridge charges at each terminal to recover the operating and capital costs attributable to the City-owned loading bridges.

The costs of the loading bridge acquisition and replacement plan are not yet known since the program has not started. Although the FY 2008 – FY 2012 CIP contains the planned acquisition of six loading bridges, no rental revenue has been forecasted until Airport management determines how it wants to proceed with this program.

## **B. REVENUES**

Under the Indenture, Revenues consist of GARB Revenues, Pledged PFC Revenues, and any other available moneys deposited in the Revenue Fund, and any other amounts, including investment income, on deposit in the Debt Service Stabilization Fund. GARB Revenues include Signatory Airline fees, concession fees, other operating revenues, the asset use charges, and interest income. *This Report assumes that upon the expiration of the AUA effective June 30, 2011, there will not be any significant changes in the new agreement and that the current rate methodology will continue throughout the forecast period, except for the rate mitigation program that will expire effective June 30, 2011.*

**Table V-2**, provides a historical summary of audited actual revenues for FY 2004 – FY 2008. During this period GARB Revenues increased at an average annual rate of 3.9%, or \$20.5 million. The increase consisted of higher Signatory Airline fees and concession fees, which totaled \$34.4 million that were partially offset by declines in the discontinuance of the TWA Asset Use Charges (\$7.8 million) and a reduction in Other Operating Income (\$6.3 million) during the 5-year period. The increases primarily resulted from higher airline revenues resulting from the amortization of the new runway, which became operational in April 2006, and a steady rise in concession revenues from public parking, car rentals and terminal concessions. The offsets were due to the elimination of the TWA Asset Use Charges, which expired at the end of the previous AUA and a decline in Other Operating Revenues primarily due to the end of the Boeing lease facility rental that expired at the end of FY 2004.

Pledged PFC revenues increased \$6.8 million during this period to \$25.5 million. This increase was due to scheduled changes for the PFC portion of the annual debt service payments. The increase in the Pledged PFC Revenues and the aforementioned increase in GARB Revenues

resulted in an increase in total Revenues of \$27.4 million during this period or an average annual growth of 4.5%.

**Table V-3** presents the forecast of Revenues for the seven-year period FY 2009 through FY 2015. Total Airport Revenues are projected to increase from \$170.9 million in FY 2008 to \$204.4 million in FY 2015 or at an average annual growth rate of 2.6%. The components of the major revenue accounts and the underlying assumptions for the forecast are discussed below.

### **1. Signatory Airline Rates and Charges**

Signatory Airline fees consist of landing fees and terminal building space rentals received from the Signatory Airlines according to the AUA. Fifteen air carriers have executed an AUA with the Airport, as detailed in **Table IV-1** in section IV of this report.

As shown in **Table V-2**, Signatory Airline fees increased from \$57.4 million in FY 2004 to \$79.7 million in FY 2008 or an average annual rate of 8.5%. During this period, Signatory Airline Revenues decreased slightly in FY 2005, which was primarily due to a decrease in O&M expenses initiated by Airport management in response to the American Airlines' service cutbacks started in late FY 2004. However, following FY 2005, airfield revenues steadily increased following the completion of the new runway in April 2006, which resulted in the rate based cost being amortized in the landing fee for a full year starting in FY 2007. The increase in airfield revenues was partially offset by the declines in terminal rents primarily due to American Airlines releasing unneeded terminal space at the expiration of the previous agreement in December 2005.

# LAMBERT-ST. LOUIS INTERNATIONAL AIRPORT

## Financial Feasibility Report

**TABLE V- 2**  
**LAMBERT-ST. LOUIS INTERNATIONAL AIRPORT**  
**SUMMARY OF HISTORICAL REVENUES**  
For Fiscal Years Ending June 30  
(in thousands)

	Avg. Annual Growth Rate	Historical <sup>1</sup>				
	FY '04-'08	2004	2005	2006	2007	2008
Signatory Airlines Fees						
Airfield Landing Fees	14.1%	\$36,585	\$34,188	\$42,083	\$54,541	\$62,053
Terminal Rents	-4.1%	20,846	\$20,317	\$19,547	\$17,424	\$17,665
Total	8.5%	\$57,431	\$54,505	\$61,630	\$71,965	\$79,718
Concession Fees						
Terminal Concessions	10.1%	\$6,256	\$7,006	\$7,320	\$8,685	\$9,201
Public Parking	17.3%	9,595	\$11,754	\$12,981	\$14,390	\$18,184
Car Rentals	7.0%	9,184	\$9,360	\$10,971	\$10,873	\$12,045
Space Rental	33.2%	396	\$632	\$722	\$1,012	\$1,247
In-Flight Catering	-6.9%	806	\$396	\$489	\$489	\$604
Other	-25.6%	4,296	\$1,173	\$1,398	\$1,509	\$1,317
Total	8.7%	\$30,533	\$30,321	\$33,881	\$36,959	\$42,597
Other						
Non-Signatory Landing Fees	-11.4%	\$5,818	\$7,120	\$6,042	\$6,376	\$3,587
Non-Signatory Airlines-Terminal	10.0%	706	\$356	\$667	\$1,181	\$1,034
Total	-8.3%	\$6,524	\$7,476	\$6,709	\$7,558	\$4,621
Airline Revenue Mitigation <sup>2</sup>	n/a	\$0	\$0	\$0	\$6,000	\$5,000
Cargo	-22.6%	\$1,878	\$1,847	\$1,365	\$741	\$673
Hangars and Other Buildings <sup>3</sup>	-52.4%	\$7,080	\$584	\$356	\$350	\$362
Tenant Improvement Surcharge	16.2%	\$916	\$1,749	\$1,159	\$1,668	\$1,672
Employee Lot	-100.0%	\$575	\$572	\$141	\$0	\$0
Other Miscellaneous	-7.0%	6,629	\$5,860	\$6,690	\$6,528	\$4,961
Total Other-Operating	-7.5%	\$23,603	\$18,089	\$16,420	\$22,843	\$17,289
TWA Asset Use Charges	n/a	\$7,773	\$7,607	\$3,804	\$0	\$0
Total Operating Revenue	4.0%	\$119,340	\$110,522	\$115,735	\$131,767	\$139,605
Interest Income <sup>4</sup>	1.2%	\$5,443	\$6,179	\$5,451	\$6,296	\$5,715
Total GARB Revenues	3.9%	\$124,783	\$116,702	\$121,186	\$138,062	\$145,320
PFC Pledged Revenue	8.0%	\$18,766	\$18,766	\$18,493	\$25,884	\$25,555
Total Revenues	4.5%	\$143,549	\$135,468	\$139,683	\$163,947	\$170,875

<sup>1</sup> Based on audited financial statements and Airport records.

<sup>2</sup> Airlines earned 50% of the of the available rate mitigation moneys.

<sup>3</sup> Includes Boeing land rental of \$6 million per year in FY2004.

<sup>4</sup> Operating Interest income only.

The forecast of Signatory Airline revenues for the period FY 2009 through FY 2015 in **Table V-3** is comprised of two revenue categories – Airfield landing fees and Terminal Rents. The forecasts for each are developed based on the rate methodology discussed earlier in this section. As a result, Signatory Airline Revenues are projected to increase from \$79.7 million in FY 2008 to \$97.0 million in FY 2015, or an average annual growth rate of 2.8%. The average annual growth in Airfield Landing Fees averages only 2.0 percent during the period. The lower growth rate is attributed to Airport management’s on-going cost containment related to O&M expenses and the current FY 2008 – FY 2012 CIP containing significant AIP grant funding for airfield projects during the forecast period. In contrast, the Terminal Rents average 5.6% average growth rate during the forecast period, which is primarily due to scheduled completion of Phase I of the AEP program by FY 2012, an increase in the amount of airline leased space beginning in FY 2010, and completion of the required mechanical infrastructure facilities and space in FY 2011. The resulting impact of the increase in Signatory Airline revenues on the airlines cost per enplanement (CPE) is shown on **Table V-4**. The CPE is forecast to increase from \$10.82 in FY 2008 to \$13.40 in FY 2015. There are two principal reasons for the increase in the CPE during the period: (1) assumption that rate mitigation will not be earned for the duration of the program (FY 2011) by Participating Airlines due to lower projected landed weights and (2) increase in West Terminal costs attributed to Phase I of the AEP and the mechanical infrastructure project.

In addition, **Table V-4** summarizes future Signatory Airline landing fee and Terminal Rent rates for FY 2009 through 2015. The landing fee rates are projected to fluctuate from \$6.96 in FY 2008 to \$7.84 in FY 2015, primarily due to the elimination of the rate mitigation during fiscal years 2009 through 2011. Following 2011 it begins to decline as landed weight begins to increase during the remainder of the forecast period. The West Terminal rental rates are projected to increase from \$41.59 in FY 2008 to \$55.98 in FY 2015 or an average annual growth rate of 4.34%, and the East Terminal rental rates are projected to increase from \$48.31 in FY 2008 to \$66.10 in FY 2015 or an average annual growth rate of approximately 4.58%.

In our professional judgment, although the landing fee is among the highest in the country, we believe the forecasts of the average costs per enplanement are reasonable, in comparison with other major airports that have undertaken major expansion programs.

# LAMBERT-ST. LOUIS INTERNATIONAL AIRPORT

## Financial Feasibility Report

**Table V-3**  
**FORECASTED AIRPORT REVENUES**  
 Lambert-St. Louis International Airport  
 Fiscal years Ending June 30  
 (in thousands)

AIRPORT REVENUES	Avg. Annual Growth Rate	Audited 2008	Forecast						
	2008-2015		2009	2010	2011	2012	2013	2014	2015
Signatory Airlines									
Airfield Landing Fees	2.0%	\$62,053	\$68,769	\$68,212	\$68,925	\$69,669	\$70,089	\$70,557	\$71,215
Terminal Rents	5.6%	17,665	20,058	21,382	22,613	24,520	25,027	25,405	25,826
Total	2.8%	\$79,718	\$88,827	\$89,594	\$91,538	\$94,189	\$95,116	\$95,961	\$97,041
Concession Fees									
Terminal Concessions	4.8%	\$9,201	\$8,417	\$8,615	\$9,705	\$10,682	\$11,333	\$12,046	\$12,737
Public Parking	5.6%	18,184	16,299	18,071	23,261	24,402	25,592	25,896	26,677
Car Rentals	3.5%	12,045	11,441	11,455	11,990	12,750	13,557	14,454	15,323
Space Rental	2.4%	1,247	1,266	1,294	1,324	1,354	1,385	1,427	1,469
In-Flight Catering	2.3%	604	613	626	640	655	670	690	711
Other	1.2%	1,317	1,340	1,352	1,365	1,378	1,391	1,408	1,427
Total	4.6%	\$42,597	\$39,375	\$41,412	\$48,284	\$51,221	\$53,927	\$55,921	\$58,344
Other									
Non-Signatory Landing Fees	-0.2%	\$3,587	\$3,337	\$3,223	\$3,316	\$3,367	\$3,411	\$3,468	\$3,533
Non-Signatory Airlines-Terminal	0.4%	1,034	1,060	1,060	1,060	1,060	1,060	1,060	1,060
Total	-0.1%	\$4,621	\$4,397	\$4,283	\$4,376	\$4,427	\$4,471	\$4,528	\$4,593
Airline Revenue Mitigation		5,000	0	0	0	0	0	0	0
Cargo	3.4%	\$673	\$738	\$738	\$794	\$849	\$849	\$849	\$849
Hangars and Other Buildings	2.4%	362	368	376	385	394	403	415	427
Tenant Improvement Surcharge	0.1%	1,672	1,651	1,687	1,687	1,687	1,687	1,687	1,687
Other Miscellaneous	3.0%	4,961	5,366	5,540	5,706	5,846	6,008	6,218	6,109
Total Other-Operating	-3.3%	\$17,289	\$12,520	\$12,623	\$12,947	\$13,202	\$13,417	\$13,697	\$13,665
Total Operating Revenue	2.8%	\$139,605	\$140,722	\$143,629	\$152,768	\$158,612	\$162,461	\$165,579	\$169,049
Interest Income	-0.5%	\$5,715	\$3,234	\$3,948	\$4,222	\$5,468	\$5,698	\$5,809	\$5,507
Total GARB Revenues	2.7%	\$145,320	\$143,956	\$147,577	\$156,990	\$164,080	\$168,158	\$171,388	\$174,556
Miscellaneous Revenue <sup>1</sup>									2,219
PFC Pledged Revenue	1.1%	25,555	24,096	27,135	27,195	23,863	27,578	27,578	27,577
Total Revenues	2.6%	170,875	168,052	174,712	184,185	187,943	195,737	198,966	204,352

<sup>1</sup> Represents estimated amount of excess debt service reserve funds estimated to be deposited in the Revenue Fund of the Series 2009 Bonds maturing in FY 2014.  
 Source: Airport records and Unison financial model



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**TABLE V-4**  
**SUMMARY OF SIGNATORY AIRLINE REVENUES, COST PER ENPLANED PASSENGER, AND RATES**  
Lambert-St. Louis International Airport  
For Fiscal Years Ending June 30  
(in thousands)

	Audited	Projected						
	2008	2009	2010	2011	2012	2013	2014	2015
<b>SIGNATORY AIRLINE REVENUES</b>								
Landing Fees	\$62,053	\$68,769	\$68,212	\$68,925	\$69,669	\$70,089	\$70,557	\$71,215
Terminal Building Rentals								
West Terminal	\$13,992	\$15,739	\$16,787	\$17,881	\$19,696	\$20,073	\$20,385	\$20,714
East Terminal	3,674	4,319	4,596	4,732	4,824	4,954	5,020	5,111
	\$17,665	\$20,058	\$21,382	\$22,613	\$24,520	\$25,027	\$25,405	\$25,826
<b>TOTAL SIGNATORY AIRLINE REVENUES-- BASIC RATES AND CHARGES</b>	\$79,718	\$88,827	\$89,594	\$91,538	\$94,189	\$95,116	\$95,961	\$97,041
Signatory airline enplaned passengers	7,365	6,572	6,116	6,290	6,539	6,796	7,034	7,240
<b>Signatory Airline cost per enplaned passenger</b>	<b>\$10.82</b>	<b>\$13.52</b>	<b>\$14.65</b>	<b>\$14.55</b>	<b>\$14.40</b>	<b>\$14.00</b>	<b>\$13.64</b>	<b>\$13.40</b>
<b>SIGNATORY AIRLINE RATES</b>								
Landing Fee Rate (per 1,000 pounds)	\$6.95	\$8.12	\$8.68	\$8.76	\$8.51	\$8.23	\$7.99	\$7.84
Terminal Building Rental Rates								
West Terminal	\$41.59	\$44.33	\$46.63	\$49.67	\$53.96	\$54.99	\$55.09	\$55.98
East Terminal	\$48.31	\$55.53	\$59.22	\$61.04	\$62.27	\$64.00	\$64.88	\$66.10

Source: Airport records and Unison financial model

## 2. Concession Fees

Concession fees include terminal concessions (food and beverage, news and gifts, and coin devices), public parking, car rentals, ground transportation, space rental, in-flight catering, as well as utility reimbursements and advertising.

During the FY 2004 - FY 2008 period, total concession fees increased approximately \$12.1 million or an average annual rate of 8.7%. The increase was primarily due to growth in public parking, car rental and terminal concessions. The public parking increase was approximately \$8.6 million which was due to an increase in parking durations and a parking rate increase in August 2007. The remainder of the increase for Concession fees was evenly distributed between terminal concessions and rental cars, which were due to both generating gross sales in excess of the annual minimum annual guarantees (MAGS) also resulting from the increased O&D passenger traffic. This growth was partially offset by a decline in in-flight catering and a reduction in other concession fees, which consists of declines in space rentals and ground transportation fees.

Concession fees are forecast to increase from \$42.6 million in FY 2008 to \$58.3 million in FY 2015, which represents an average annual growth rate of 4.6%. This growth is supported by the following assumptions:

- Projected parking increases in short-term and long-term parking daily rates in FY 2010 and an additional increase in long-term only in FY 2014.
- A projected increase in various food and beverage concession revenues following the completion of Phase I of the AEP program in FY 2012. Annual increases are anticipated to range from \$250,000 starting in FY 2010 to \$500,000 in 2012.
- An anticipated average annual growth rate in enplanements that slightly declines by 0.2% during the forecast period of FY 2008 – 2015.
- An applied inflation/consumption factor rate ranging from approximately 2.2% to 3% during the forecast period.

The major concession categories are:

- a) *Terminal Concessions.* Terminal concession revenues increased approximately \$2.9 million or an average annual rate of 10.1% during FYs 2004 – FY 2008, which was primarily due to increases in food and beverage, merchandising and other concession revenues.

Food and beverage is the major revenue source of terminal concession revenues making up 45.8% of the terminal concession sales in FY 2008. In FY 2008, the Airport received approximately \$4.2 million from food and beverage concessions, which represents an average annual growth increase of 1.4% from FY 2004. Host International, Inc. operates

the food and beverage concessions at the Airport under a contract that extends to December 31, 2020.

News/gift and other merchandising concessions is the second largest category in terminal concessions and comprised an estimated 24.7% or \$2.3 million of terminal concession revenues in FY 2008. This represents an estimated average annual growth rate of 4.8% from FY 2004. The Paradies Shops, Inc. operates the news and gifts concessions at the Airport under a contract that extends to June 30, 2013. The steady growth during this period was largely due to the steady increase in O&D enplanements during this period and was not affected materially by the partial closure of Concourse D in December 2008.

The remainder of Concession revenues consists of terminal services, coin operated machines and other charges for FY 2008, which totaled approximately \$2.8 million in the aggregate. The largest component of this category is terminal services, which totaled \$1.8 million in FY 2008. The category consists of advertising, directory graphics, luggage carts, commercial wireless access and shoeshine service.

The forecast period for terminal concessions anticipates the Airport will continue to focus on developing and implementing new concepts. To this end, the forecast anticipates additional new food concession concepts to be added following the completion of Phase I of the AEP program in FY 2010. The food and beverage component is projected to add nearly \$1 million in new business during the period FY 2010 through FY 2012. The merchandising component is being projected to grow about \$500,000 for the same period.

In addition to the new concession concepts, an assumed annual inflation/consumption factor rate of ranging from 1.5% in FY 2009 to 3.0% for FYs 2014 through 2015, coupled with rate of enplanement growth were assumed in the terminal concession revenues forecast.

- b) *Public Parking.* Central Parking Systems of St. Louis Inc. (CPS) is the Airport's public parking management company. The City recently awarded a new three-year agreement, which started September 1, 2008, and expires August 31, 2011, with no option periods. Under the current agreement, CPS is responsible for operating the public parking facilities, including operating the shuttle bus service connecting the terminals to the intermediate and remote lots. Additionally, the Airport collects all parking revenues, and reimburses CPS for approved operating and administrative expenses and any expenditures made for capital improvements.

During the FY 2004-FY 2008 period, net public parking revenues increased \$8.6 million or at an average annual rate of 17.3%. This increase was primarily due to longer average parking durations and an increase in the long-term parking rates effective August 2007. The longer durations are partially due to passengers being required to arrive at the Airport earlier due to the national security requirements.

Net public parking revenues are projected to increase from an estimated \$18.2 million in FY 2008 to \$26.7 million in FY 2015. The forecast growth is based on the anticipated increase in short-term and long-term rates in FY 2010 and in long-term rates only in FY 2014. In addition, the moderate rise in O&D passenger activity during the forecast period is also expected to have a favorable impact on this important concession component at the Airport.

- c) *Car Rentals.* There are seven on-airport car rental companies that currently operate at the Airport. They are: Avis, Budget, Hertz, Missouri Rental and Leasing (d/b/a Dollar-Rent-A-Car), C&J Rental (d/b/a Thrifty Car Rental), Enterprise, and a joint operation by ANC Rental Corporation (d/b/a Alamo-Rent-A-Car and National Car Rental). The car rental revenues for on-airport operators are based on 10% of the car rental company's gross revenues or their annual MAGs, whichever is greater. The off-airport car rental operator's revenues are based on 8 % of the car rental company's gross income. All car rental agreements were rebid in 2003 and the City awarded new contracts with terms from January 1, 2004 through December 31, 2008, that were extended one year and scheduled to expire December 31, 2009<sup>7</sup>. During the FY 2004-FY 2008 period, rental car revenues increased at an average annual rate of 7.0% or \$2.8 million. The increase is primarily due to the steady increase in O&D passengers and the reduction in air service to smaller destination cities, which is resulting in longer rental days. Car rental revenues are forecast to increase from \$12.0 million in FY 2008 to \$15.3 million in FY 2015, which is primarily based on the anticipated increases in O&D passenger enplanements and the annual escalation factor.
- d) *Space Rentals* Recently, the Airport has not experienced much growth in the space rental category of concessions. The downward trend began following the events of September 11, 2001 and has never recovered. The current forecast assumes the space rental revenues will remain flat at the FY 2008 actual levels throughout the forecast period.
- e) *In-Flight catering* This category continues to experience a steady decline in revenues resulting from the continued trend of airlines reducing service offering on flights. This category has declined approximately 6.9% over the period FY 2004 – FY 2008. The forecast assumes no significant change in forecast projecting an increase from \$0.6 million in FY 2008 to \$0.7 million in FY 2015.
- f) *Other Concession Revenues.* Other Concession Revenues include utility reimbursements, and other miscellaneous concession revenues, which consist of services, ground transportation fees, and per passenger fees for the international area. During the FY 2004 – FY 2008 period, this category decreased at an average annual growth rate of 25.6%, partially due to the service revenues being reclassified to the Other Terminal Concessions category beginning in FY 2005. The estimated projected revenues increase from \$1.3 million in FY 2008 to \$1.4 million in FY 2015.

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<sup>7</sup> A solicitation for bids was sent out April 27, 2009.

### 3. Other Operating Revenues

Other Operating Revenues consist of non-signatory airline fees, cargo area rentals and fees, tenant improvement surcharges, charges for the use of the employee parking lot, and other miscellaneous revenues. During the FY 2004-FY 2008 period, Other Operating Revenues decreased \$6.3 million or at an average annual rate of 7.5%. The decline was primarily due to decreases in non-signatory airline revenues following the signing of the AUA and the completion of recording the revenue from leasing land to Boeing.

- a) *Non-signatory Airline Revenues.* Non-signatory airline revenues consist of landing fees and terminal rents paid by non-signatory users. Landing fee rates for non-signatory airlines were set at 125% of the signatory rate through the end of the prior airline use and lease agreement, which expired December 31, 2005. Effective with the current AUA there is no longer a 25% surcharge for landed weight; however, the agreement does charge nonsignatory users of the terminal 125% of the signatory rate effective January 1, 2006. Non-signatory airline revenues, which ranged from \$6.5 million in FY 2004 to \$4.6 million in FY 2008, resulted in an average annual decrease during this period of 11.4%, primarily due to the shift in FY 2008 in which most regional airlines become regional partners with the participating airlines. Non-signatory airline revenues are now projected to generate revenues that are relatively flat during the forecast period ranging from of \$4.6 million in FY 2009 \$4.5 million by FY 2015.
- b) *Airline Revenue Mitigation* represents the amount of revenues earned by the Participating Airlines (and transferred to the Revenue Fund from the Contingency Fund) based on the provisions outlined in the AUA. FY 2007 revenue represents the amount earned based on the agreed upon target being met, which represented 50% of the maximum amount available. Currently, the Airport's landed weight forecast, as discussed in Section IV, indicates landed weights that are insufficient to reach the targeted levels. Therefore, no additional rate mitigation revenues are being projected through the end of the program in FY 2011.
- c) *Cargo.* Cargo revenues include ground rent, building rent, and tenant improvement charges. Cargo revenues continued to decline during the most recent 5-year period as the Airport continues to move away from this business. The forecast is projected to remain relatively flat and starting at \$0.7 million in FY 2009 is projected to increase to \$0.8 million in FY 2015.
- d) *Hangar and Other Building Area.* Hangar and Other Building Area revenues include building and ground rent for various support facilities and the Boeing land rental payment of \$6 million in fiscal year 2004. Revenues during the period FY 2004 through FY 2008 decreased nearly \$7 million or an average annual rate of 52.4%. This significant decrease resulted from the Boeing land rents being fully realized at the end of FY 2004. Hangar and Other Building revenues are projected to remain flat at around \$0.4 million.

- e) *Tenant Improvement Surcharge.* In FY 2004, American began paying surcharges for a portion of the projects financed with the 2002 Bonds. The forecast estimates tenant improvement surcharges from American staying level at \$1.7 million for the forecast period.
- f) *Other Miscellaneous Revenues.* Other miscellaneous revenues include U.S. government rental revenues, American ramp charges (associated with their hangar), air cargo services, rent from other tenants in the Airfield and Terminal Area, utility reimbursements, rental revenues from inside advertising billboards and other miscellaneous revenues. In FY 2008, the other miscellaneous revenues are estimated to be \$5.0 million and projected to increase to \$6.1 million by FY 2015, which is based on the growth in total enplanements and the annual escalation factor for certain components of this category.

#### **4. Interest Income**

Interest income on all operating funds and accounts, other than the Construction Fund (bond proceeds) and the PFC Fund, are classified as Revenues under the Indenture. Interest income is estimated to decline from \$5.7 million for FY 2008 to \$5.6 million in FY 2015. The interest income forecast is based on projected balances in each fund and account assuming average annual interest yields of 3.0% on the Debt Service and Debt Service Reserve Accounts and 2% for all other funds held during the forecast period.

#### **5. Pledged PFC Revenues**

The Pledged PFC Revenues are projected to increase from \$25.6 million in FY 2008 to \$27.6 million in FY 2015, as a result of an increase in pledged PFC debt service due to a portion of the Series 2009 Bonds being issued to finance a portion of the PFC eligible projects. The annual amount shown for PFC Pledged Revenues follows the requirements as further defined in the Indenture.

### **C. OPERATION AND MAINTENANCE EXPENSES**

**Table V-5** summarizes historical O&M Expenses for the FY 2004-FY 2008 period by major expense category. These categories include: personnel services, which are comprised of salaries, fringe benefits and overtime; supplies, materials and equipment; and contractual services. During the past five years, O&M Expenses increased \$20.7 million or an average annual growth rate of 6.9%. The growth was comprised of increases in contractual services of approximately \$7.9 million, supplies, materials and equipment of \$6.0 million and personnel services totaling \$6.9 totaling million, as further described below.

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**TABLE V-5**  
**SUMMARY OF HISTORICAL OPERATION AND MAINTENANCE EXPENSES**  
LAMBERT-ST. LOUIS INTERNATIONAL AIRPORT  
(in thousands)

	Avg. Annual Growth Rate	Historical <sup>1</sup>				
	FY '04-'08	2004	2005	2006	2007	2008
<u>Personnel Services</u>						
Salaries & Wages	2.0%	\$29,224	\$27,747	\$29,886	\$30,652	\$31,655
Fringe Benefits	12.9%	\$7,162	\$7,968	\$8,013	\$9,114	\$11,621
	4.4%	\$36,386	\$35,716	\$37,899	\$39,766	\$43,277
<u>Supplies, Materials &amp; Equipment</u>						
Deicing & Misc. Supplies	4.9%	\$2,051	\$919	\$1,065	\$1,606	\$2,488
Other	31.8%	\$2,744	\$3,426	\$4,437	\$4,640	\$8,276
	22.4%	\$4,794	\$4,345	\$5,503	\$6,247	\$10,763
<u>Contractual Services</u>						
Utilities	7.2%	\$5,432	\$5,030	\$6,365	\$7,364	\$7,174
Rental Equipment - Snow Removal	24.1%	\$1,787	\$985	\$844	\$3,425	\$4,235
Rental Equipment - Land Maintenance	-2.4%	\$426	\$479	\$27	\$1,909	\$386
Cleaning Services	5.3%	\$2,651	\$3,037	\$3,304	\$3,225	\$3,264
Reimbursement for City Services	-11.9%	\$1,598	\$1,294	\$1,392	\$1,246	\$963
Shuttle, Misc., Acoustical	-24.8%	\$1,477	\$1,393	\$297	\$462	\$473
Legal	21.9%	\$759	\$721	\$517	\$820	\$1,673
Security Service	5.3%	\$5,039	\$4,995	\$5,086	\$6,238	\$6,197
Insurance	5.5%	\$1,979	\$2,005	\$2,404	\$2,563	\$2,455
Other	9.0%	\$5,284	\$7,640	\$6,693	\$8,053	\$7,448
	6.7%	\$26,432	\$27,579	\$26,928	\$35,304	\$34,268
Total Operation & Maintenance Expenses <sup>2</sup>	6.9%	\$67,612	\$67,640	\$70,330	\$81,317	\$88,308

<sup>1</sup> Based on audited financial statements and airport records.

<sup>2</sup> Excludes 5% gross receipts tax, which is excluded from calculation of debt service coverage.



*Personnel services* expenses represent wages, salaries, and fringe benefits paid to individuals employed by the Airport to maintain and operate the terminal, airfield, roadways and other facilities. The average annual growth rate between FY 2004 – FY 2008 was 4.4%, which was primarily due to salary increases averaging between 1% and 3% and growth in fringe benefits of approximately \$4.4 million to address the Airport's under-funded pension liability for employees and to properly fund the Airport's Firemen's Retirement Fund.

*Supplies, Materials and Equipment* expenses consist of de-icing fluids, office supplies, laundry and cleaning materials, gasoline, tools and other miscellaneous supplies. The average annual increase for this category during FY 2004-FY 2008 was 22.4%. The increase in other supplies, materials and equipment was primarily due to changes in the accounting treatment of capital assets in the new AUA. The expense threshold increased from \$10,000 to \$100,000 for all capital assets expenditures, which became effective January 1, 2006.

*Contractual Services* expenses represent the cost of services provided to the Airport by vendors, independent contractors, consultants, and the City. The primary services include utilities, rental and lease of equipment (primarily snow removal equipment), snow removal, airport security, cleaning services, reimbursement for City-provided services, repair and maintenance of equipment (such as elevators and escalators, communications equipment, etc.) and other miscellaneous services. The average annual growth rate for this category during the period FY 2004 – FY 2008 was 6.7% or an increase of \$7.9 million. The growth was due to increases in utilities, snow removal services, legal and other contractual services. The higher utilities costs are associated with rising gas and electricity prices, while the increase in snow removal was due to the heavy snow and ice conditions during fiscal years 2007 and 2008. The remainder of the increase was due to an increase in legal services resulting from a \$1 million contingency payment during FY 2008 on a judgment for a violation of the Clean Air Act and other contractual services. These were due to changes in the environmental contract associated with the noise monitoring program.

**Table V-6** presents the O&M Expenses forecast for the period FY 2009-FY 2015. As shown in the table, O&M Expenses are forecast to increase from \$88.3 million in FY 2008 to \$97.7 million by FY 2015, which represents an average annual growth of 1.5%. The low average annual growth rate reflects Airport management's continued efforts to maintain cost control during this period of economic slowdown that has adversely impacted the Airport. The forecast is based on the proposed FY 2010 operating budget provided by Airport management and historical trends in O&M expense growth, and inflation factors between 2.3% and 3% used to develop the remaining forecast period of FYs 2011 through 2015. In addition, certain parts of the forecast were developed based on judgments from Airport management and industry trends.

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**TABLE V-6**  
**SUMMARY OF PROJECTED OPERATION AND MAINTENANCE EXPENSES**  
LAMBERT-ST. LOUIS INTERNATIONAL AIRPORT  
Fiscal Years Ending June 30  
(in thousands)

	Avg. Annual Growth Rate	Actual 2008	Budget 2009	Budget 2010	Forecast				
	FY '08-'15				2011	2012	2013	2014	2015
<u>Personnel Services</u>									
Salaries & Wages	2.3%	\$31,655	\$32,250	\$32,010	\$32,970	\$33,959	\$34,978	\$36,027	\$37,108
Fringe Benefits	4.2%	\$11,622	\$12,927	\$13,374	\$13,776	\$14,189	\$14,615	\$15,053	\$15,505
	2.8%	\$43,277	\$45,177	\$45,384	\$46,746	\$48,148	\$49,593	\$51,080	\$52,613
<u>Supplies, Materials &amp; Equipment</u>									
Deicing & Misc. Supplies	-6.1%	\$2,488	\$1,429	\$1,428	\$1,461	\$1,495	\$1,529	\$1,565	\$1,601
Other	-3.4%	\$8,275	\$6,296	\$5,784	\$5,917	\$6,053	\$6,192	\$6,335	\$6,480
	-4.0%	\$10,763	\$7,725	\$7,212	\$7,378	\$7,548	\$7,721	\$7,900	\$8,081
<u>Contractual Services</u>									
Utilities	1.9%	\$7,174	\$7,584	\$6,750	\$7,020	\$7,301	\$7,593	\$7,896	\$8,212
Rental Equipment - Snow Removal	-9.4%	\$4,235	\$1,928	\$1,900	\$1,944	\$1,988	\$2,034	\$2,081	\$2,129
Rental Equipment - Land Maintenance	-1.8%	\$386	\$365	\$302	\$309	\$317	\$324	\$331	\$339
Cleaning Services	-1.0%	\$3,264	\$2,991	\$2,725	\$2,787	\$2,851	\$2,917	\$2,984	\$3,053
Reimbursement for City Services	6.4%	\$963	\$1,325	\$1,325	\$1,355	\$1,386	\$1,418	\$1,451	\$1,484
Tunnel Maintenance	-11.1%	\$473	\$446	\$185	\$190	\$194	\$198	\$203	\$207
Legal	-15.1%	\$1,673	\$518	\$475	\$486	\$497	\$509	\$520	\$532
Security Service	1.0%	\$6,197	\$6,720	\$5,912	\$6,048	\$6,187	\$6,329	\$6,475	\$6,624
Insurance	0.5%	\$2,455	\$2,447	\$2,272	\$2,324	\$2,378	\$2,432	\$2,488	\$2,546
Other	6.9%	\$7,448	\$10,031	\$10,100	\$10,855	\$11,104	\$11,360	\$11,621	\$11,888
	1.1%	\$34,268	\$34,355	\$31,946	\$33,318	\$34,203	\$35,114	\$36,050	\$37,014
Total Operation & Maintenance Expenses <sup>1</sup>	1.5%	\$88,308	\$87,257	\$84,542	\$87,442	\$89,899	\$92,428	\$95,030	\$97,708

Source: Airport records and Unison financial model

## D. APPLICATION OF REVENUES

**Table V-7** shows the Application of Revenues forecast to fund accounts under provisions of the Indenture for the fiscal years 2008–2015.

Revenues consist of GARB Revenues, including Pledged PFC Revenues deposited in the Revenue Fund as presented earlier in **Table V-3**. Pursuant to the Indenture, Pledged PFC Revenues equal 125% of the anticipated annual debt service on the portion of the bonds that have been issued to finance PFC-Eligible Projects.

As further described in the Indenture, Revenues will first be applied to pay O&M Expenses and then to pay Debt Service on Bonds. Remaining Revenues will then be applied to: restore any deficiencies in the Debt Service Reserve Account in the Bond Fund, pay any subordinate debt outstanding, restore any deficiencies in the Renewal and Replacement Fund, to pay the City as required under Section 5.04(B) (the 5% “gross receipts tax”), and then to fund the Debt Service Stabilization Fund (DSS Fund) in the required amounts. All remaining Revenues are then deposited in the ADF or the PFC Account. **Table V-7** shows the actual transfer to the ADF during FY 2008 and the projected deposits during the forecast period of FY 2009 through FY 2015.

As of April 30, 2009, the unaudited unappropriated balance in the Airport’s ADF was approximately \$54.1 million. This balance, coupled with the projected transfers to the ADF indicated in **Table V-7**, should provide adequate resources to meet various obligations of the Airport, such as equipment replacement, major maintenance and small capital projects, during the forecast period. It should be noted that the net deposits to the ADF shown on **Table V-7** are amounts that are available after the requirements of the proposed rate mitigation have been satisfied.

## E. SENSITIVITY ANALYSIS

As previously discussed in Section IV of this Report, the Airport has experienced several economic setbacks due to a number of events that have affected the U.S economy in recent years. Most recently, the U.S. economic recession continues to have a direct impact on the operation at the Airport represented by system-wide capacity reductions that started in mid-2008 and additional service reductions announced by American during June 2009. As a result, a sensitivity analysis was prepared to show the potential effects of a further reduction in air service could have on the Airport. The sensitivity analysis shown below is based on the low case scenario that was presented in Section IV.

*Low case scenario (worst)* – This case assumes that STL would lose all enplanements, O&D and connecting, on the flights to be eliminated. It implies that none of the O&D traffic on flights to be eliminated would be recaptured by remaining service.

In response to this low case scenario, Airport management developed a three pronged strategy to reduce the financial impact of the anticipated cuts on both the airlines and the Airport. The Strategy includes the following:

1. Revenue initiatives – Airport Management will implement a parking rate increase in FY 2010 as previously discussed earlier.
2. Implement tighter controls over all expenses incurred by the Airport – In the event the low case scenario is realized, all expenditures will require the review and approval of the Chief Financial Officer of the Airport. This will include:
  - a. Imposing a hiring freeze for all non essential positions.
  - b. Imposing a freeze on non-essential purchases of at least 5% of all non-personal expenditures.
3. Increase air service marketing – Airport Management is aggressively pursuing new and existing airlines to restore service at the Airport.

#### **F. DEBT SERVICE COVERAGE/ADDITIONAL BONDS TEST**

**Table V-8** shows the results of the Additional Bonds Test for the base case using the financial forecast presented in this Report for FY 2009 – FY 2015. Debt service coverage is projected to range from 1.25 to 1.32 during the forecast period. In comparison, the results of the low case scenario are presented in **Table V-9** and show that the Airport is projected to meet the coverage requirements of 1.25 under this scenario in all years (assuming certain cost reductions in the event the American Airlines' low case scenario is realized). The Additional Bond Test states, in part, that Net Revenues must be at least 1.25 times Aggregate Debt Service; 1) in any 12 consecutive calendar months out of the 18 calendar months preceding the authentication and delivery of the Series 2009A Bonds, and 2) as set forth in the Airport Consultant's certificate, for each of the three Airport fiscal years following the Airport fiscal year in which the project is expected to be completed. For the Series 2009 Bonds, the three relevant years are FY 2013 through FY 2015. A comparison of the base and low case scenarios is summarized in **Table V-10**. This table provides a summary of the impact on cost per enplanement, landing fee and debt service coverage between the two cases.

The financial forecasts presented in this section are based on information and assumptions that have been provided by Airport management, or developed by Unison and reviewed with and confirmed by Airport management. Based upon our review, we believe the information to be accurate and that the assumptions made provide a reasonable basis for the forecasts. However, due to unforeseen events and circumstances actual results may vary from the forecasts. and such variations may be material.

# LAMBERT-ST. LOUIS INTERNATIONAL AIRPORT

## Financial Feasibility Report

**TABLE V-7**  
**ACTUAL AND PROJECTED DEPOSITS TO THE AIRPORT DEVELOPMENT FUND**  
 Lambert St. Louis International Airport  
 For Fiscal years Ending June 30  
 (in thousands)

	Actual	Projected						
	2008	2009	2010	2011	2012	2013	2014	2015
<b>Revenues</b>								
GARB Revenues								
Airline revenues	\$79,718	\$88,827	\$89,594	\$91,538	\$94,189	\$95,116	\$95,961	\$97,041
Nonairline revenues <sup>1</sup>	54,886	51,895	54,035	61,231	64,423	67,344	69,618	72,009
Interest income	5,715	3,234	3,948	4,222	5,468	5,698	5,809	5,507
Rate Mitigation Revenues	5,000	0	0	0	0	0	0	0
Miscellaneous Revenues <sup>2</sup>			0	0	0	0	0	2,219
Pledged PFC Revenues <sup>3</sup>	25,555	24,096	27,135	27,195	23,863	27,578	27,578	27,577
	\$170,875	\$168,052	\$174,712	\$184,185	\$187,943	\$195,737	\$198,966	\$204,352
<b>Application of Revenues</b>								
Operating and Maintenance Expenses	\$88,308	\$87,257	\$84,542	\$87,442	\$89,899	\$92,428	\$95,030	\$97,708
Debt Service Account (Annual Debt Service)								
Outstanding Bonds	\$64,021	\$62,836	\$64,036	\$64,705	\$66,917	\$71,803	\$71,524	\$74,035
Total Series 2009 Bonds	0	0	8,099	10,926	11,219	8,649	8,782	6,719
Total Projected Aggregate Debt Service <sup>4</sup>	\$64,021	\$62,836	\$72,135	\$75,631	\$78,136	\$80,452	\$80,306	\$80,754
Debt Stabilization Fund (reserve)	\$1,471	\$5,597	\$5,520	\$4,995	28	0	0	0
Debt Service Reserve Account <sup>5</sup>	0	682	798	925	1,057	1,084	402	286
Renewal and Replacement Fund	0	0	0	0	0	0	0	0
PFC Debt Service Coverage	5,111	4,819	5,427	5,439	4,773	5,516	5,516	5,515
Payment to City (5% Gross Receipts Tax)	5,831	5,935	6,291	6,211	6,354	6,500	6,649	6,802
Subtotal	\$164,742	\$167,126	\$174,713	\$180,642	\$180,247	\$185,979	\$187,903	\$191,066
<b>Net deposit to Development Fund</b>	<b>\$6,133</b>	<b>\$926</b>	<b>\$0</b>	<b>\$3,543</b>	<b>\$7,696</b>	<b>\$9,758</b>	<b>\$11,063</b>	<b>\$13,286</b>

<sup>1</sup> Consists of concession fees and Other Operating Revenues as further detailed on Table V-3.

<sup>2</sup> Represents estimated amount of excess debt service reserve funds estimated to be deposited in the Revenue Fund

<sup>3</sup> Represents the portion of PFC Revenues pledged to the repayment of a portion of the debt service on Bonds issued to finance PFC eligible projects.

<sup>4</sup> Excludes capitalized interest.

<sup>5</sup> Estimated annual deposits that will be required based on the City's Trustee projected Debt Service Reserve Requirements that will be required for certain outstanding bonds during the forecast period.

Source: Airport records and Unison financial model

LAMBERT-ST. LOUIS INTERNATIONAL AIRPORT  
Financial Feasibility Report

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**TABLE V-8**  
**CALCULATION OF ANNUAL DEBT SERVICE COVERAGE**  
**BASE CASE SCENARIO**  
Lambert St. Louis International Airport  
For Fiscal years Ending June 30  
(in thousands)

	Actual	Projected						
	2008	2009	2010	2011	2012	2013	2014	2015
<b>ANNUAL DEBT SERVICE COVERAGE</b>								
Total Revenues	\$170,875	\$168,052	\$174,712	\$184,185	\$187,943	\$195,737	\$198,966	\$204,352
less: Operation and Maintenance Expenses	88,308	87,257	84,542	87,442	89,899	92,428	95,030	97,708
Net Revenues	\$82,567	\$80,795	\$90,171	\$96,744	\$98,044	\$103,309	\$103,936	\$106,644
Debt Service								
Outstanding Bonds <sup>1</sup>	\$64,021	\$62,836	\$64,036	\$64,705	66,917	71,804	71,524	74,035
Series 2009 Bonds <sup>1</sup>	0	0	8,099	10,926	11,219	8,649	8,782	6,719
	\$64,021	\$62,836	\$72,135	\$75,631	\$78,136	\$80,453	\$80,306	\$80,754
<b>Debt service coverage ratio</b>	<b>1.29</b>	<b>1.29</b>	<b>1.25</b>	<b>1.28</b>	<b>1.25</b>	<b>1.28</b>	<b>1.29</b>	<b>1.32</b>

<sup>1</sup> Excludes capitalized interest.

Source: Airport records and Unison financial model

LAMBERT-ST. LOUIS INTERNATIONAL AIRPORT  
Financial Feasibility Report

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**TABLE V-9**  
**CALCULATION OF ANNUAL DEBT SERVICE COVERAGE**  
**LOW CASE SCENARIO**  
Lambert St. Louis International Airport  
For Fiscal years Ending June 30  
(in thousands)

	Actual	Projected						
	2008	2009	2010	2011	2012	2013	2014	2015
<b>ANNUAL DEBT SERVICE COVERAGE</b>								
Total Revenues	\$170,875	\$168,052	\$172,198	\$180,531	\$183,851	\$191,610	\$194,432	\$199,798
less: Operation and Maintenance Expenses	88,308	87,257	82,019	83,782	86,132	88,549	91,037	93,597
Net Revenues	\$82,567	\$80,795	\$90,180	\$96,750	\$97,720	\$103,061	\$103,395	\$106,201
Debt Service								
Outstanding Bonds <sup>1</sup>	\$64,021	\$62,836	\$64,036	\$64,705	66,917	71,804	71,524	74,035
Series 2009 Bonds <sup>1</sup>	0	0	8,099	10,926	11,219	8,649	8,782	6,719
	\$64,021	\$62,836	\$72,135	\$75,631	\$78,136	\$80,453	\$80,306	\$80,754
<b>Debt service coverage ratio</b>	<b>1.29</b>	<b>1.29</b>	<b>1.25</b>	<b>1.28</b>	<b>1.25</b>	<b>1.28</b>	<b>1.29</b>	<b>1.32</b>

<sup>1</sup> Excludes capitalized interest.

Source: Airport records and Unison financial model



**TABLE V-10**  
**SENSITIVITY ANALYSIS - SUMMARY TABLE**  
Lambert St. Louis International Airport  
For Fiscal years Ending June 30  
(in thousands)

	2013		2014		2015	
	Base Case	Low Case	Base Case	Low Case	Base Case	Low Case
Airline Revenues	\$95,116	\$93,000	\$95,961	\$93,516	\$97,041	94,667
Signatory Enplaned Passengers	6,796	6,615	7,034	6,847	7,240	7,048
Airline Cost Per Enplanement	\$14.00	\$14.06	\$13.64	\$13.66	\$13.40	\$13.43
Signatory Landing Fee Rate	\$8.23	\$8.11	\$7.99	\$7.88	\$7.84	\$7.72
Net Revenues	\$103,309	\$103,061	\$103,936	\$103,395	\$106,644	106,201
Aggregate Debt Service	\$80,453	\$80,453	\$80,306	\$80,306	\$80,754	80,754
Debt Service Coverage	1.28	1.28	1.29	1.29	1.32	1.32

Source: Unison financial model

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## **APPENDIX B**

### **Audited Financial Statements of the Airport**

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**LAMBERT – ST. LOUIS INTERNATIONAL AIRPORT**  
(An Enterprise Fund of the City of St. Louis, Missouri)

Basic Financial Statements and Supplementary Information

June 30, 2008 and 2007

(With Independent Auditors' Report Thereon)

**LAMBERT – ST. LOUIS INTERNATIONAL AIRPORT**  
 (An Enterprise Fund of the City of St. Louis, Missouri)  
 Basic Financial Statements and Supplementary Information  
 June 30, 2008 and 2007

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KPMG LLP  
Suite 900  
10 South Broadway  
St. Louis, MO 63102-1761

## Independent Auditors' Report

Honorable Mayor and Members of  
the Board of Aldermen of the  
City of St. Louis, Missouri:

We have audited the accompanying basic financial statements of Lambert – St. Louis International Airport, an enterprise fund of the City of St. Louis, Missouri, as of and for the years ended June 30, 2008 and 2007, as listed in the accompanying table of contents. These financial statements are the responsibility of the City of St. Louis, Missouri's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States of America. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Lambert – St. Louis International Airport's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

As discussed in note 1, the financial statements present only the financial position and the changes in financial position and cash flows of Lambert – St. Louis International Airport, an enterprise fund of the City of St. Louis, Missouri, and do not purport to, and do not, present fairly the financial position of the City of St. Louis, Missouri as of June 30, 2008 and 2007, and changes in its financial position and cash flows, where applicable, thereof for the years then ended in conformity with U.S. generally accepted accounting principles.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Lambert – St. Louis International Airport, an enterprise fund of the City of St. Louis, Missouri, as of June 30, 2008 and 2007, and the changes in its financial position and cash flows for the years then ended in conformity with U.S. generally accepted accounting principles.

Effective July 1, 2007, Lambert – St. Louis International Airport implemented Governmental Accounting Standards Board Statement No. 48, *Sales and Pledges of Receivables and Future Revenues and Intra-Entity Transfers of Assets and Future Revenues*, and Governmental Accounting Standards Board Statement No. 50, *Pension Disclosures*.



In accordance with *Government Auditing Standards*, we have also issued a report dated December 19, 2008 on our consideration of Lambert – St. Louis International Airport’s, an enterprise fund of the City of St. Louis, Missouri, internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The management’s discussion and analysis on pages 3 through 14 is not a required part of the basic financial statements, but is supplementary information required by U.S. generally accepted accounting principles. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audits were conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplementary information, as listed in the accompanying table of contents, is presented for purposes of additional analysis and is not a required part of the basic financial statements. The supplementary information has been subjected to the auditing procedures applied in the audits of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

KPMG LLP

St. Louis, Missouri  
December 19, 2008

## Lambert-St. Louis International Airport Management's Discussion and Analysis

The following discussion and analysis of the activity and financial performance of Lambert-St. Louis International Airport (the Airport) has been prepared by Airport management to provide the reader with an introduction and overview to the basic financial statements of the Airport for the fiscal year ended June 30, 2008 and 2007. Following this discussion and analysis are the basic financial statements of the Airport including the notes which are essential to a full understanding of the data contained within the basic financial statements. All amounts, unless otherwise indicated, are expressed in thousands of dollars.

### SUMMARY OF AIRPORT ACTIVITY

Air travel was flat in 2008 when compared to 2007. Enplaned passengers and landed weights were up less than one percent over fiscal year 2007. Activity at the Airport during fiscal years 2008, 2007, and 2006 was as follows:

	2008	2007	Change
Enplaned passengers	7,605,310	7,543,269	0.82%
Aircraft landings and takeoffs	255,800	260,151	(1.67%)
Landed weight (in thousands of pounds)	9,965,900	9,928,347	0.38%
Mail and cargo (in tons)	92,294	94,340	(2.17%)

	2007	2006	Change
Enplaned passengers	7,543,269	7,608,290	(0.85%)
Aircraft landings and takeoffs	260,151	281,746	(7.66%)
Landed weight (in thousands of pounds)	9,928,347	10,062,743	(1.34%)
Mail and cargo (in tons)	94,340	102,726	(8.16%)

### FINANCIAL HIGHLIGHTS

The following represents the significant financial activity at the Airport in fiscal years 2008, 2007, and 2006 and the reasons for any fluctuations between the years:

- Fiscal year 2008 operating revenues increased 7.04% from \$125,765 in fiscal year 2007 to \$134,618 in fiscal year 2008, due to the increases in airfield rates, parking rates, and concession revenues. Fiscal year 2007 operating revenues increased 8.6% from \$115,735 in fiscal year 2006 to \$125,765 in fiscal year 2007, due to the increase in airfield revenues.
- Fiscal year 2008 operating expenses increased 4.25% from \$135,299 in fiscal year 2007 to \$141,046 in fiscal year 2008 as a result of increased payroll, contractual services, and depreciation costs. Fiscal year 2007 operating expenses increased 25.4% from \$107,858 in fiscal year 2006 to \$135,299 in fiscal year 2007 as a result of increased payroll and contractual services costs.
- The net result of the impact to operating revenues and expenses, as discussed above, is that the fiscal year 2008 operating loss decreased 32.58% to \$(6,428) from \$(9,534) in fiscal year 2007, compared with fiscal year 2007 operating income (loss) decreased 221.0% to \$(9,534) from \$7,877 in fiscal year 2006.

- Fiscal year 2008 nonoperating expenses, net increased to \$(33,074) from \$(78,531) in fiscal year 2007 resulting primarily from the \$31,044 loss on the disposal of surplus Airport property. Other contributing factors include a decrease of investment revenue due to lower interest rates. Fiscal year 2007 nonoperating revenue, net decreased to \$(78,531) from \$9,733 in fiscal year 2006 resulting primarily from the \$76,209 loss on the sale of surplus Airport property. Other contributing factors include a decrease of passenger facility charges, a decrease in intergovernmental revenue, and an interest expense increase as a result of a decrease in interest capitalization.
- Capital contributions received in the form of grants from the federal government decreased to \$28,037 in fiscal year 2008 from \$43,759 in fiscal year 2007. The grants for noise mitigation, completed taxiway and security projects, and Letter of Intent were reduced in fiscal year 2008. In contrast, capital contributions increased to \$43,759 in fiscal year 2007 from \$38,239 in fiscal year 2006, due to an increase in the Letter of Intent grant.
- As a result of the preceding items, net assets in fiscal year 2008 decreased to \$1,058,034 from \$1,075,330 in fiscal year 2007. Similarly, net assets in fiscal year 2007 of \$1,075,330 decreased from \$1,125,189 in fiscal year 2006.

#### SUMMARY OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS

The Airport's revenues, expenses, and changes in net assets for the fiscal years ended June 30, 2008, 2007, and 2006 are summarized as follows (dollars in thousands):

	2008	2007	\$ Change	% Change
Operating revenues	\$ 134,618	125,765	8,853	7.0%
Operating expenses	141,046	135,299	5,747	4.2%
Operating loss	(6,428)	(9,534)	3,106	32.6%
Nonoperating expenses, net	(33,074)	(78,531)	45,457	57.9%
Loss before capital contributions, and transfers, net	(39,502)	(88,065)	48,563	55.1%
Capital contributions	28,037	43,759	(15,722)	(35.9%)
Transfers out	(5,831)	(5,553)	278	5.0%
Decrease in net assets	(17,296)	(49,859)	32,563	65.3%
Net assets, end of year	\$ 1,058,034	1,075,330	(17,296)	(1.6%)

	2007	2006	\$ Change	% Change
Operating revenues	\$ 125,765	115,735	10,030	8.6%
Operating expenses	135,299	107,858	27,441	25.4%
Operating income (loss)	(9,534)	7,877	(17,411)	(221.0%)
Nonoperating revenues (expenses), net	(78,531)	9,733	(88,264)	(906.9%)
Income before capital contributions, transfers, and special items	(88,065)	17,610	(105,675)	(600.1%)
Capital contributions	43,759	38,239	5,520	14.4%
Transfers out	(5,553)	(5,407)	146	2.7%
Impairment of capital assets	—	(8,392)	8,392	100.0%
Increase (decrease) in net assets	(49,859)	42,050	(91,909)	(218.6%)
Net assets, end of year	\$ 1,075,330	1,125,189	(49,859)	(4.4%)

## FINANCIAL POSITION SUMMARY

Net assets may serve over time as a useful indicator of the Airport's financial position. The Airport's assets exceeded liabilities by \$1,058,034 at June 30, 2008, a \$17,296 decrease from June 30, 2007.

A condensed summary of the Airport's net assets at June 30, 2008 and 2007 is shown below:

	2008	2007	\$ Change	% Change
<b>Assets:</b>				
Current and other assets	\$ 329,120	318,246	10,874	3.5%
Capital assets	1,647,700	1,684,144	(36,444)	(2.2%)
<b>Total assets</b>	<b>1,976,820</b>	<b>2,002,390</b>	<b>(25,570)</b>	<b>(1.3%)</b>
<b>Liabilities:</b>				
Long-term liabilities	834,366	851,529	(17,163)	(2.0%)
Other liabilities	84,420	75,531	8,889	11.8%
<b>Total liabilities</b>	<b>918,786</b>	<b>927,060</b>	<b>(8,274)</b>	<b>(0.9%)</b>
<b>Net assets:</b>				
Invested in capital assets, net of related debt	917,599	937,613	(20,014)	(2.2%)
Restricted	119,619	114,630	4,989	4.4%
Unrestricted	20,816	23,087	(2,271)	(9.9%)
<b>Total net assets</b>	<b>\$ 1,058,034</b>	<b>1,075,330</b>	<b>(17,296)</b>	<b>(1.6%)</b>

A portion of the Airport's net assets (86.8% at June 30, 2008) represents its investment in capital assets (e.g., land, buildings, roads, runways, and equipment), less the related indebtedness outstanding used to acquire those capital assets. The Airport uses these capital assets to provide services to its passengers and visitors to the Airport; consequently, these assets are not available for future spending. Although the Airport's investment in its capital assets is reported net of related debt, it is noted that the resources required to repay this debt must be provided annually from operations, since it is unlikely the capital assets themselves will be liquidated to pay liabilities.

An additional portion of the Airport's net assets (11.3% at June 30, 2008) represents net assets that are subject to external restrictions on how they can be used. These assets can be used for any lawful Airport use including debt service, capital projects, or expenditure subject to the restrictions of the Passenger Facility Charge Program and the Airport Improvement Program.

The remaining portion of the Airport's net assets (1.9% at June 30, 2008) represents its unrestricted investments, less any outstanding indebtedness, which may be used to meet any of the Airport's ongoing obligations.

In fiscal 2008, the decrease in capital assets was primarily attributable to the disposal of surplus Airport property. The decrease in long-term debt outstanding was attributable to payments made on outstanding debt.

A condensed summary of the Airport's net assets at June 30, 2007 and 2006 is shown below:

	2007	2006	\$ Change	% Change
<b>Assets:</b>				
Current and other assets	\$ 318,246	314,156	4,090	1.3%
Capital assets	1,684,144	1,752,638	(68,494)	(3.9%)
Total assets	2,002,390	2,066,794	(64,404)	(3.1%)
<b>Liabilities:</b>				
Long-term liabilities	851,529	870,788	(19,259)	(2.2%)
Other liabilities	75,531	70,817	4,714	6.7%
Total liabilities	927,060	941,605	(14,545)	(1.6%)
<b>Net assets:</b>				
Invested in capital assets, net of related debt	937,613	991,086	(53,473)	(5.4%)
Restricted	114,630	117,326	(2,696)	(2.3%)
Unrestricted	23,087	16,777	6,310	37.6%
Total net assets	\$ 1,075,330	1,125,189	(49,859)	(4.4%)

A portion of the Airport's net assets (87.2% at June 30, 2007) represents its investment in capital assets (e.g., land, buildings, roads, runways, and equipment), less the related indebtedness outstanding used to acquire those capital assets. The Airport uses these capital assets to provide services to its passengers and visitors to the Airport; consequently, these assets are not available for future spending. Although the Airport's investment in its capital assets is reported net of related debt, it is noted that the resources required to repay this debt must be provided annually from operations, since it is unlikely the capital assets themselves will be liquidated to pay liabilities.

An additional portion of the Airport's net assets (10.7% at June 30, 2007) represents net assets that are subject to external restrictions on how they can be used. These assets can be used for any lawful Airport use including debt service, capital projects, or expenditure subject to the restrictions of the Passenger Facility Charge program.

The remaining portion of the Airport's net assets (2.1% at June 30, 2007) represents its unrestricted investments, less any outstanding indebtedness, which may be used to meet any of the Airport's ongoing obligations.

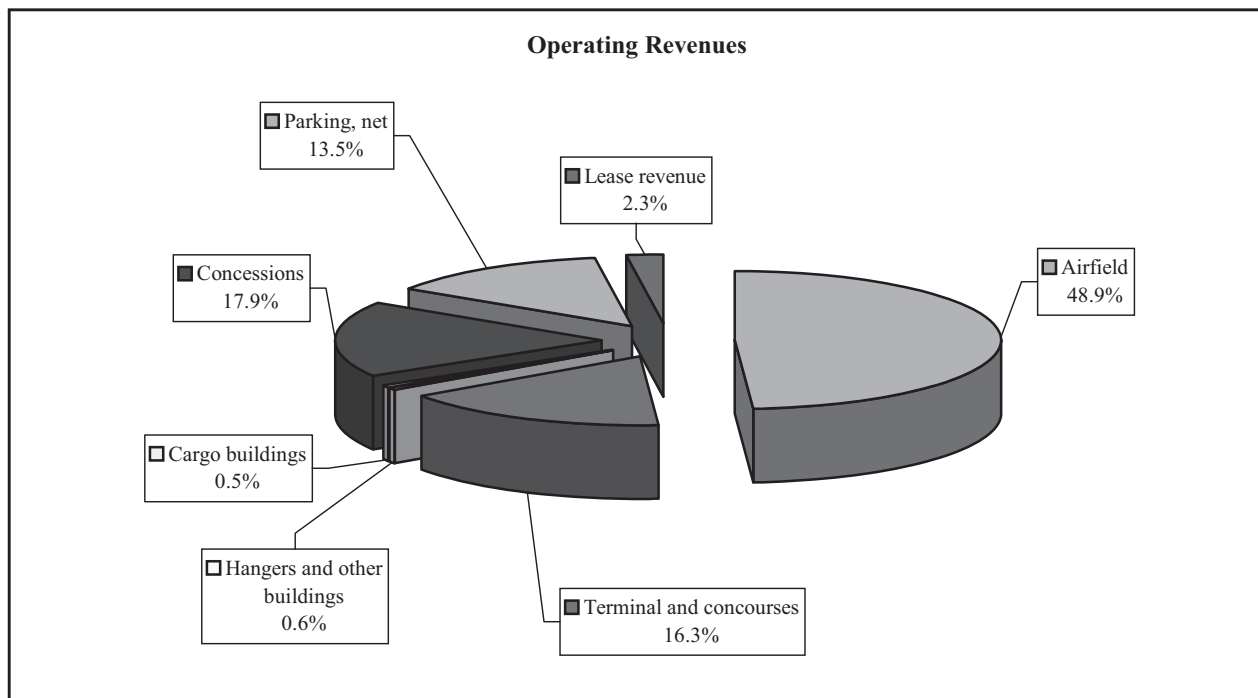
In fiscal 2007, the decrease in capital assets was primarily attributable to the sale of surplus Airport property.

The decrease in long-term debt outstanding was attributable to payments made on outstanding debt.

The Airport's assets exceeded liabilities by \$1,075,330 at June 30, 2007, a (\$49,859) decrease from June 30, 2006.

## REVENUES

The following chart shows the major sources of operating revenues, and their percentage share of total operating revenues, for the year ended June 30, 2008:

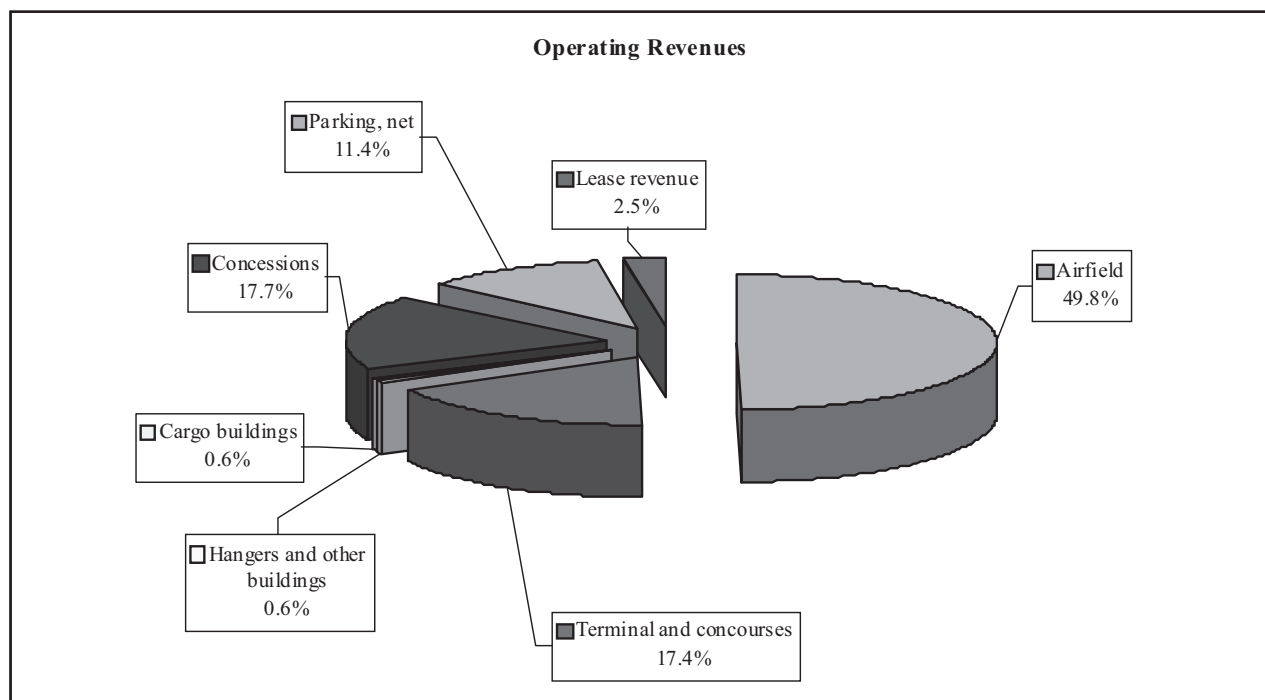


The following table summarizes Airport operating and nonoperating revenues, and their percentage share of total Airport operating and nonoperating revenue, for the year ended June 30, 2008.

	2008	% of total	\$ Change from 2007	% Change from 2007
<b>Operating revenues:</b>				
Aviation revenue:				
Airfield	\$ 65,840	37.4%	3,262	5.2%
Terminal and concourses	21,910	12.4%	(27)	(0.1%)
Hangers and other buildings	805	0.5%	12	1.5%
Cargo buildings	673	0.4%	(68)	(9.2%)
Concessions	24,088	13.7%	1,894	8.5%
Parking, net	18,174	10.3%	3,793	26.4%
Lease revenue	3,128	1.8%	(13)	(.4%)
<b>Total operating revenue</b>	<b>134,618</b>	<b>76.5%</b>	<b>8,853</b>	<b>7.0%</b>
<b>Nonoperating revenues:</b>				
Intergovernmental revenue	4,348	2.5%	1,705	64.5%
Investment revenue	8,381	4.8%	(1,787)	(17.6%)
Passenger facility charges	28,842	16.3%	(333)	(1.1%)
Other nonoperating revenue, net	(106)	(0.1%)	(461)	130.0%
<b>Total nonoperating revenue</b>	<b>41,465</b>	<b>23.5%</b>	<b>(876)</b>	<b>(2.1%)</b>
<b>Total revenues</b>	<b>\$ 176,083</b>	<b>100.0%</b>	<b>7,977</b>	<b>4.7%</b>

## REVENUES

The following chart shows the major sources of operating revenues, and their percentage share of total operating revenues, for the year ended June 30, 2007:

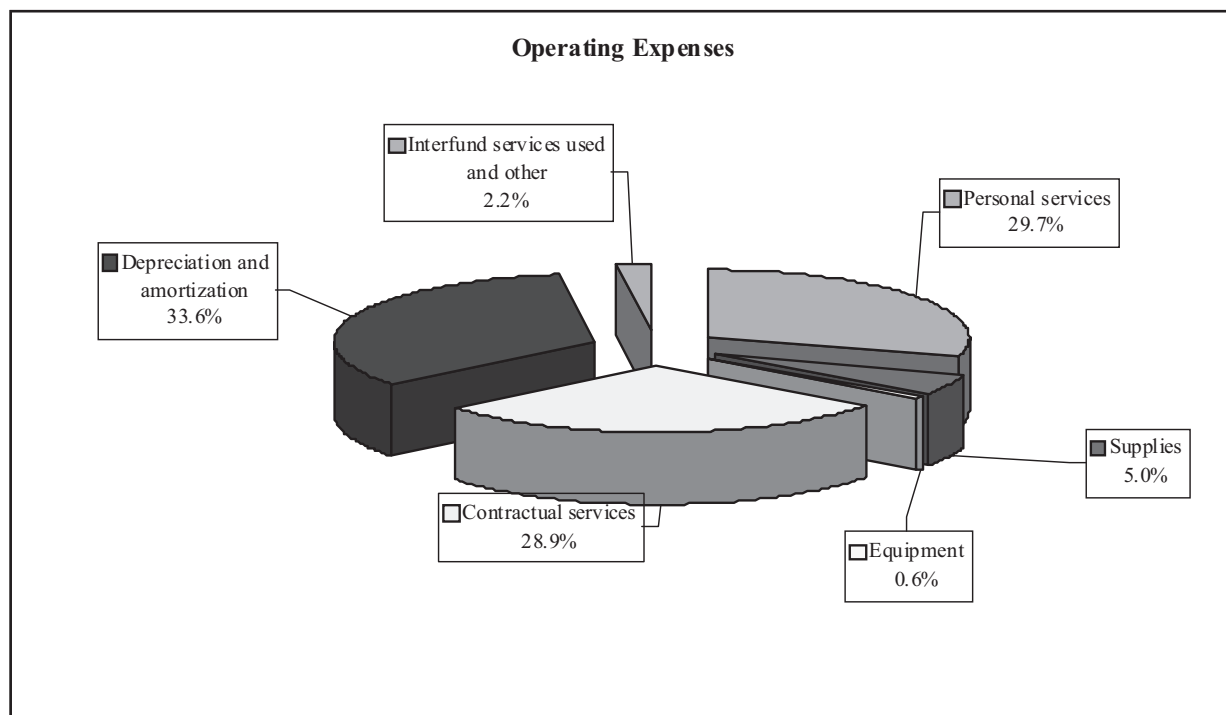


The following table summarizes Airport operating and nonoperating revenues, and their percentage share of the total Airport operating and nonoperating revenue, for the year ended June 30, 2007.

	2007	% of total	\$ Change from 2006	% Change from 2006
<b>Operating revenues:</b>				
Aviation revenue:				
Airfield	\$ 62,578	37.2%	12,789	25.7%
Terminal and concourses	21,937	13.1%	(290)	(1.3%)
Hangers and other buildings	793	0.5%	(289)	(26.7%)
Cargo buildings	741	0.4%	(624)	(45.7%)
Concessions	22,194	13.2%	588	2.7%
Parking, net	14,381	8.6%	1,258	10.8%
Lease revenue	3,141	1.8%	(3,402)	(52.0%)
<b>Total operating revenue</b>	<b>125,765</b>	<b>74.8%</b>	<b>10,030</b>	<b>8.7%</b>
<b>Nonoperating revenues:</b>				
Intergovernmental revenue	2,643	1.6%	(4,030)	(60.4%)
Investment revenue	10,168	6.0%	(134)	(1.3%)
Passenger facility charges	29,175	17.4%	(4,259)	(12.7%)
Other nonoperating revenue, net	355	0.2%	355	100.0%
<b>Total nonoperating revenue</b>	<b>42,341</b>	<b>25.2%</b>	<b>(8,068)</b>	<b>(16.0%)</b>
<b>Total revenues</b>	<b>\$ 168,106</b>	<b>100.0%</b>	<b>1,962</b>	<b>1.2%</b>

## EXPENSES

The following chart shows the major sources of operating expenses, and their percentage share of total operating expenses, for the year ended June 30, 2008:

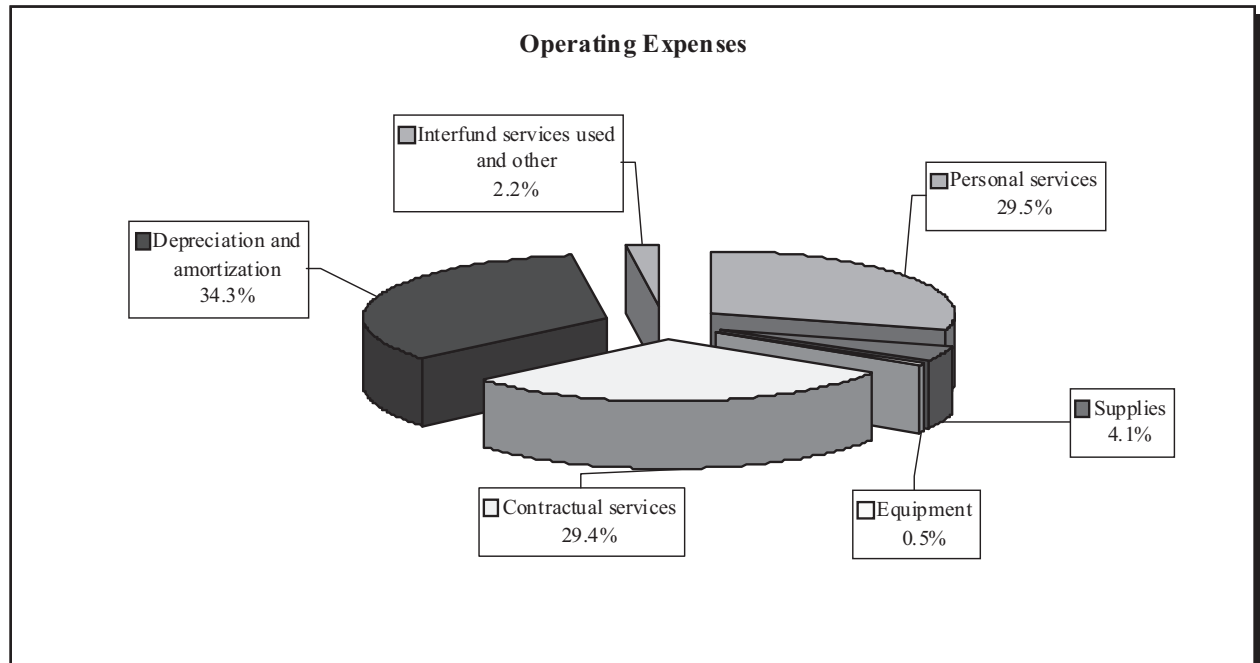


The following table summarizes Airport operating and nonoperating expenses, and their percentage share of total Airport operating and nonoperating expenses, for the year ended June 30, 2008:

	2008	% of total	\$ Change from 2007	% Change from 2007
<b>Operating expenses:</b>				
Personal services	\$ 41,889	19.4%	2,057	5.2%
Supplies	6,978	3.2%	1,448	26.2%
Equipment	801	0.4%	85	11.8%
Contractual services	40,718	18.9%	1,186	3.0%
Depreciation and amortization	47,446	22.0%	1,170	2.5%
Interfund services used	2,856	1.3%	(51)	(1.7%)
Other operating expenses	358	0.2%	(148)	(29.2%)
<b>Total operating expenses</b>	<b>141,046</b>	<b>65.4%</b>	<b>5,747</b>	<b>4.2%</b>
<b>Nonoperating expenses:</b>				
Interest expense	41,958	19.5%	935	2.3%
Amortization of bond issue costs	1,537	0.7%	(328)	(17.6%)
Impairment capital assets	—	0.0%	(1,775)	(100.0%)
Loss on disposal of surplus property	31,044	14.4%	(45,165)	(59.3%)
<b>Total nonoperating expenses</b>	<b>74,539</b>	<b>34.6%</b>	<b>(46,333)</b>	<b>(38.3%)</b>
<b>Total expenses</b>	<b>\$ 215,585</b>	<b>100.0%</b>	<b>(40,586)</b>	<b>(15.8%)</b>



The following chart shows the major sources of operating expenses, and their percentage share of total operating expenses, for the year ended June 30, 2007:



The following table summarizes Airport operating and nonoperating expenses, and their percentage share of total Airport operating and nonoperating expenses, for the year ended June 30, 2007:

	2007	% of total	\$ Change from 2006	% Change from 2006
<b>Operating expenses:</b>				
Personal services	\$ 39,832	15.6%	2,914	7.9%
Supplies	5,530	2.1%	1,432	35.0%
Equipment	716	0.3%	422	143.5%
Contractual services	39,532	15.4%	7,438	23.2%
Depreciation and amortization	46,276	18.1%	15,251	49.2%
Interfund services used	2,907	1.1%	232	8.7%
Other operating expenses	506	0.2%	(248)	(32.9%)
<b>Total operating expenses</b>	<b>135,299</b>	<b>52.8%</b>	<b>27,441</b>	<b>25.4%</b>
<b>Nonoperating expenses:</b>				
Interest expense	41,023	16.0%	1,429	3.6%
Amortization of bond issue costs	1,865	0.7%	993	113.9%
Impairment of capital assets	1,775	0.7%	1,775	100.0%
Loss on disposal of surplus property	76,209	29.8%	76,209	100.0%
Other, net	—	0.0%	(210)	(100.0%)
<b>Total nonoperating expenses</b>	<b>120,872</b>	<b>47.2%</b>	<b>80,196</b>	<b>206.0%</b>
<b>Total expenses</b>	<b>\$ 256,171</b>	<b>100.0%</b>	<b>107,637</b>	<b>72.5%</b>

Fiscal year 2008 operating revenues increased 7.0% or \$8,853 primarily due to rate increases for the airfield and parking. Concession revenue increase of \$1,894 also contributed to the increase in operating revenues. In addition, non-operating revenues decreased 2.1% or (\$876) due primarily to a decrease in investment revenue caused by lower interest rates.

Fiscal year 2007 operating revenues increased 8.7% or \$10,030 primarily due to a \$12,789 increase in airfield revenues which resulted from the new use and lease agreement with signatory airlines effective January 1, 2006. This increase in operating revenues was offset by a decrease in lease revenues of (\$3,402) following the expiration of the equipment lease agreement with American Airlines on December 31, 2005. In addition, non-operating revenues decreased 8.4% or (\$8,068) due to a decrease in passenger facility charges of (\$4,259) and a decrease in intergovernmental revenue of (\$4,030).

Fiscal year 2008 operating expenses increased 4.2% or \$5,747 due to increases in personal services of \$2,057, supplies of \$1,448, contractual services of \$1,186, and depreciation of \$1,170.

Fiscal year 2007 operating expenses increased 25.4% or \$27,441 due to increases in personal services of \$2,914, contractual services of \$7,438, and depreciation of \$15,251.

#### **AIRLINE USE RATES AND CHARGES**

As of June 30, 2008, the Airport was served by seventeen airlines with use agreements, three of which are cargo carriers, and by twenty-three airlines with operating agreements, three of which are cargo carriers. An individual airline with a Use and Lease Agreement with the Airport has a contract which establishes how the airlines are assessed annual rates and charges for their use of the Airport. These agreements expire June 30, 2011.

Landing and rental fees are calculated on estimated operating and maintenance expenses and are charged to the airlines based upon landing weights or square footage utilized. The amount charged is adjusted based upon actual expenses and actual landing usage incurred. Non-affiliated airlines with operating agreements are assessed 125% of the carrier rates with use agreements for rental space, but they are assessed the same landing fees as use agreement carriers. Carriers landing without an Airport Agreement are assessed 125% of the rate assessed carriers with agreements.

#### **FINANCIAL STATEMENTS**

The Airport's basic financial statements are prepared on an accrual basis in accordance with the U.S. generally accepted accounting principles promulgated by the Government Accounting Standards Board (GASB). The Airport is structured as an enterprise fund owned and operated by the City of St. Louis, Missouri with revenues recognized when earned. Expenses are recognized when incurred. Capital assets are capitalized and (other than land and construction in progress) are depreciated over their useful lives. Amounts are restricted for debt service and, where applicable, for construction activities. Refer to Note 1 of the basic financial statements for a summary of the Airport's significant accounting policies.

## **CAPITAL ACQUISITIONS AND CONSTRUCTION ACTIVITIES**

During fiscal year 2008, the Airport expended \$41,800 on capital activities related to construction in progress. During 2008, completed projects totaling approximately \$77,176 were closed from construction in progress to their respective capital accounts. The major completed projects were:

New Runway W1W	\$ 5,040
Terminal and concourse improvements	27,247
Public parking garage	20,973
Runway improvements	18,302
Customs area improvements	4,926
Cell phone lot	454
Airport Office Building	234

During fiscal year 2007, the Airport expended \$64,319 on capital activities related to the acquisition of land for the W-1-W expansion project and construction in progress. During 2007, completed projects totaling approximately \$42,243 were closed from construction in progress to their respective capital accounts. The major completed projects were:

New Runway W1W	\$ 7,359
Terminal and concourse improvements	5,806
Public parking garage	270
Runway improvements	26,973
Airport Office Building	1,837

Capital asset acquisitions and improvements exceeding \$10,000 (in dollars) are capitalized at cost. Acquisitions are funded using a variety of financing techniques, including federal grants, State of Missouri grants, passenger facility charges, debt issuances, and Airport operating revenues. Additional information on the Airport's capital assets and commitments can be found in the notes to the basic financial statements.

## **PASSENGER FACILITY CHARGES**

The Airport initially received approval from the FAA to impose a passenger facility of \$3.00 (in dollars) per enplaned passenger beginning December 1, 1992, not to exceed \$131,453, principally to finance the Airport Capital Improvement Program. On December 1, 2001, the Airport received approval to increase the passenger facility charge (PFC) \$4.50 (in dollars) per enplaned passenger. The current limitation on passenger facility charges to be collected is \$1,006,700.

The PFC is withheld by the respective airline for each ticket or transfer in St. Louis and remitted to the Airport one month after collection, less a \$.11 (in dollars) per ticket operating fee by the airline. PFC revenue is classified as nonoperating revenue.

## **LONG-TERM DEBT ADMINISTRATION**

At June 30, 2008, the Airport had the following bond series outstanding:

Revenue Bonds, Series 1997B, dated August 15, 1997, maturing annually from fiscal year 2001 through 2015 with interest coupons ranging from 5.25% to 6.00%.

- Balance outstanding at June 30, 2008 - \$35,465

Revenue Refunding Bonds, Series 1998, dated December 1, 1998, maturing annually from fiscal year 2000 through 2016 with interest coupons ranging from 4.00% to 5.13%.

- Balance outstanding at June 30, 2008 - \$49,380

Revenue Bonds, Series 2001A, dated May 1, 2001, maturing annually from fiscal year 2007 through 2012 with interest coupons ranging from 4.13% to 5.50% percent.

- Balance outstanding at June 30, 2008 - \$25,020

Revenue Bonds, Series 2002 A, B, and C, dated December 19, 2002, maturing annually from fiscal year 2003 through 2033 with interest coupons ranging from 4.00% to 5.50% percent.

- Balance outstanding at June 30, 2008 - \$43,385

Revenue Refunding Bonds, Series 2003A, dated February 25, 2003, maturing annually from fiscal year 2007 through 2019 with interest coupons ranging from 2.80% to 5.25% percent.

- Balance outstanding at June 30, 2008 - \$65,875

Revenue Refunding Bonds, Series 2005, dated July 7, 2005, maturing annually from fiscal year 2013 through 2032 with interest coupons ranging from 4.00% to 5.50% percent.

- Balance outstanding at June 30, 2008 - \$263,695

Revenue Refunding Bonds, Series 2007A, dated January 23, 2007, maturing annually from fiscal year 2013 through 2033 with interest coupons ranging from 4.00% to 5.25% percent.

- Balance outstanding at June 30, 2008 - \$231,275

Revenue Refunding Bonds, Series 2007B, dated April 3, 2007, maturing annually from fiscal year 2016 through 2028 with interest coupons of 5.00% percent.

- Balance outstanding at June 30, 2008 - \$104,735

## **CREDIT RATINGS**

On December 5, 2008, Standard & Poor's Ratings Services affirmed its "BBB+" rating on St. Louis, Missouri's airport revenue bonds outstanding, issued for Lambert-St. Louis International Airport. In addition, Standard & Poor's revised the outlook to positive from stable, reflecting an expectation of continuing good debt service coverage and general improvement in liquidity despite an anticipated 8%-10% decline in passenger traffic in fiscal 2009.

## **REQUESTS FOR INFORMATION**

These basic financial statements are designed to provide a general overview of the Airport's finances for all those with an interest. Questions concerning any information provided in this report should be addressed to the Office of the Airport Assistant Director for Finance and Accounting, Lambert-St. Louis International Airport, P. O. Box 10212, St. Louis, Missouri, 63145.

**LAMBERT – ST. LOUIS INTERNATIONAL AIRPORT**  
**(An enterprise fund of the City of St. Louis, Missouri)**

Balance Sheets

June 30, 2008 and 2007

(Dollars in thousands)

<b>Assets</b>	<b>2008</b>	<b>2007</b>
Current assets:		
Unrestricted assets:		
Cash and cash equivalents	\$ 8,891	7,762
Accounts receivable, net	18,422	16,168
Supplies and materials	1,835	2,060
Other current assets	2,243	2,166
Total unrestricted assets	<u>31,391</u>	<u>28,156</u>
Restricted assets:		
Cash and cash equivalents	53,127	70,731
Accrued interest receivable	335	508
Passenger facility charges receivable	3,693	5,365
Government grants receivable	5,291	29,859
Total restricted assets	<u>62,446</u>	<u>106,463</u>
Total current assets	<u>93,837</u>	<u>134,619</u>
Noncurrent assets:		
Restricted investments, at fair value	204,416	161,934
Capital assets, net	1,647,700	1,684,144
Deferred bond issue costs, net	17,611	19,141
Intangible and other assets, net	13,256	2,552
Total noncurrent assets	<u>1,882,983</u>	<u>1,867,771</u>
Total assets	<u>\$ 1,976,820</u>	<u>2,002,390</u>

See accompanying notes to basic financial statements.

<b>Liabilities and Net Assets</b>	<b>2008</b>	<b>2007</b>
Current liabilities:		
Payable from unrestricted assets:		
Accounts payable and accrued expenses	\$ 18,732	10,377
Deferred revenue	1,188	1,742
Due to the City of St. Louis, Missouri	3,730	3,770
Total payable from unrestricted assets	23,650	15,889
Payable from restricted assets:		
Current maturities of revenue bonds payable	21,725	25,090
Commercial paper payable	1,000	1,000
Accrued interest payable	21,154	19,694
Contracts and retainage payable	14,781	13,858
Total payable from restricted assets	58,660	59,642
Total current liabilities	82,310	75,531
Noncurrent liabilities:		
Revenue bonds payable	818,683	840,656
Other long-term liabilities	17,793	10,873
Total noncurrent liabilities	836,476	851,529
Total liabilities	918,786	927,060
Net assets:		
Invested in capital assets, net of related debt	917,599	937,613
Restricted:		
Bond reserve funds	79,356	81,689
Passenger facility charges	32,160	23,998
Airport improvement program	8,103	8,943
Unrestricted	20,816	23,087
Total net assets	1,058,034	1,075,330
Total liabilities and net assets	\$ 1,976,820	2,002,390

**LAMBERT – ST. LOUIS INTERNATIONAL AIRPORT**  
**(An enterprise fund of the City of St. Louis, Missouri)**

Statements of Revenues, Expenses, and Changes in Fund Net Assets

Years ended June 30, 2008 and 2007

(Dollars in thousands)

	<u>2008</u>	<u>2007</u>
Operating revenues:		
Aviation revenue:		
Airfield	\$ 65,840	62,578
Terminal and concourses	21,910	21,937
Hangars and other buildings	805	793
Cargo buildings	673	741
Concessions	24,088	22,194
Parking, net	18,174	14,381
Lease revenue	3,128	3,141
Total operating revenue	<u>134,618</u>	<u>125,765</u>
Operating expenses:		
Personal services	41,889	39,832
Supplies	6,978	5,530
Equipment	801	716
Contractual services	40,718	39,532
Depreciation and amortization	47,446	46,276
Interfund services used	2,856	2,907
Other operating	358	506
Total operating expenses	<u>141,046</u>	<u>135,299</u>
Operating loss	<u>(6,428)</u>	<u>(9,534)</u>
Nonoperating revenues (expenses):		
Intergovernmental revenue	4,348	2,643
Investment revenue	8,381	10,168
Interest expense	(41,958)	(41,023)
Passenger facility charges	28,842	29,175
Amortization of bond issue costs	(1,537)	(1,865)
Loss on disposal of surplus property	(31,044)	(76,209)
Impairment of capital assets	—	(1,775)
Other, net	(106)	355
Total nonoperating expenses, net	<u>(33,074)</u>	<u>(78,531)</u>
Loss before capital contributions and transfers, net	<u>(39,502)</u>	<u>(88,065)</u>
Capital contributions	28,037	43,759
Transfers to the City of St. Louis, Missouri	(5,831)	(5,553)
Total capital contributions and transfers, net	<u>22,206</u>	<u>38,206</u>
Change in net assets	(17,296)	(49,859)
Total net assets, beginning of year	<u>1,075,330</u>	<u>1,125,189</u>
Total net assets, end of year	<u>\$ 1,058,034</u>	<u>1,075,330</u>

See accompanying notes to basic financial statements.



**LAMBERT – ST. LOUIS INTERNATIONAL AIRPORT**  
**(An enterprise fund of the City of St. Louis, Missouri)**

Statements of Cash Flows

Years ended June 30, 2008 and 2007

(Dollars in thousands)

	<u>2008</u>	<u>2007</u>
Cash flows from operating activities:		
Receipts from customers and users	\$ 131,432	117,577
Payments to suppliers of goods and services	(43,702)	(43,919)
Payments to or on behalf of employees	(42,039)	(37,803)
Payments for interfund services used	(2,896)	(2,373)
Net cash provided by operating activities	<u>42,795</u>	<u>33,482</u>
Cash flows from noncapital financing activities:		
Transfers to other funds of the City of St. Louis, Missouri	(5,831)	(5,553)
Net cash used in noncapital financing activities	<u>(5,831)</u>	<u>(5,553)</u>
Cash flows from capital and related financing activities:		
Cash collections from passenger facility charges	30,514	28,057
Receipt of federal financial assistance	56,950	31,433
Acquisition and construction of capital assets	(41,472)	(73,907)
Proceeds from issuance of refunding bonds	—	358,132
Insurance recoveries and expenditures	(117)	3,626
Proceeds from the sale of surplus property	510	10,725
Proceeds from issuance of commercial paper	3,000	7,000
Principal paid on commercial paper	(3,000)	(7,000)
Cash paid for bond issuance costs	—	(5,123)
Principal paid on revenue bond maturities	(25,090)	(13,960)
Cash paid for bond refunding	—	(353,042)
Interest paid on revenue bonds	(40,814)	(44,667)
Net cash used in capital and related financing activities	<u>(19,519)</u>	<u>(58,726)</u>
Cash flows from investing activities:		
Purchases of investments	(954,813)	(1,371,658)
Proceeds from sales and maturities of investments	912,331	1,402,826
Investment income	8,562	10,629
Net cash provided by (used in) investing activities	<u>(33,920)</u>	<u>41,797</u>
Net increase (decrease) in cash and cash equivalents	<u>\$ (16,475)</u>	<u>11,000</u>
Cash and cash equivalents:		
Beginning of year:		
Unrestricted	\$ 7,762	5,945
Restricted	70,731	61,548
	<u>\$ 78,493</u>	<u>67,493</u>
End of year:		
Unrestricted	\$ 8,891	7,762
Restricted	53,127	70,731
	<u>\$ 62,018</u>	<u>78,493</u>
Reconciliation of operating loss to net cash provided by operating activities:		
Operating loss	\$ (6,428)	(9,534)
Adjustments to reconcile operating loss to net cash provided by operating activities:		
Depreciation and amortization	47,446	46,276
Changes in assets and liabilities:		
Accounts receivable, net	(2,254)	(6,727)
Supplies and materials	225	(247)
Intangible and other assets, net	(77)	(70)
Accounts payable and accrued expenses	4,913	3,057
Deferred revenue	(554)	(532)
Due to/from the City of St. Louis, Missouri	(40)	534
Other long-term liabilities	(436)	725
Total adjustments	<u>49,223</u>	<u>43,016</u>
Net cash provided by operating activities	<u>\$ 42,795</u>	<u>33,482</u>
Supplemental disclosure for noncash financing activities:		
Impairment of capital assets	\$ —	(1,775)
Loss on disposal of surplus property	(31,044)	(76,209)

See accompanying notes to basic financial statements.

**LAMBERT – ST. LOUIS INTERNATIONAL AIRPORT**  
(An Enterprise Fund of the City of St. Louis, Missouri)

Notes to Basic Financial Statements

June 30, 2008 and 2007

(Dollars in thousands)

**(1) Summary of Significant Accounting Policies**

The Lambert – St. Louis International Airport (the Airport) is owned and operated by the City of St. Louis, Missouri (the City). The Airport is an enterprise fund of the City, and therefore, the basic financial statements of the Airport are not intended to present the financial position, changes in financial position, and cash flows of the City as a whole in conformity with U.S. generally accepted accounting principles.

**(a) Basis of Accounting**

Governmental enterprise funds are used to account for operations of governmental entities that are financed and operated in a manner similar to private business enterprises, where the intent of the governing body is that costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges.

The Airport prepares its financial statements in accordance with U.S. generally accepted accounting principles for governmental enterprise funds, which are similar to those for private business enterprises. Accordingly, the economic resource measurement focus and the accrual basis of accounting are used whereby revenues are recorded when earned and expenses are recorded when incurred.

In reporting its financial activity, the Airport applies all applicable Governmental Accounting Standards Board (GASB) pronouncements, as well as the following pronouncements issued on or before November 30, 1989, unless these pronouncements conflict with or contradict GASB pronouncements: Financial Accounting Standards Board (FASB) Statements and Interpretations, Accounting Principles Board (APB) opinions, and Accounting Research Bulletins (ARBs) of the Committee on Accounting Procedures.

Enterprise funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with an enterprise fund's ongoing operations. Revenues from airlines, concessions, and parking are reported as operating revenues. Transactions that are capital, financing, or investing related are reported as nonoperating revenues. All expenses related to operating the Airport are reported as operating expenses. Interest expense, financing costs, and losses on the disposal of capital assets are reported as nonoperating expenses.

**(b) Accounts Receivable**

Accounts receivable at June 30, 2008 and 2007 consists of \$18,622 and \$17,360, respectively, due from air carriers and concessionaires with operations at the Airport. Such amounts are recorded net of allowances for uncollectible accounts of \$200 and \$1,192 at June 30, 2008 and 2007.

Accounts receivable from air carriers includes unbilled aviation revenue for the fiscal year amounting to \$7,363 and \$4,833 at June 30, 2008 and 2007, respectively, determined in accordance with the provisions of long-term use agreements between the Airport and the applicable air carriers.

**LAMBERT – ST. LOUIS INTERNATIONAL AIRPORT**  
(An Enterprise Fund of the City of St. Louis, Missouri)

Notes to Basic Financial Statements

June 30, 2008 and 2007

(Dollars in thousands)

Amounts due or payable under the use agreements are settled annually with applicable air carriers (see note 9).

**(c) *Supplies and Materials***

Supplies and materials represent items used in support of operations and maintenance of the Airport. Supplies and materials amounts are recorded at cost using a method that approximates the first-in, first-out method.

**(d) *Passenger Facility Charges (PFCs)***

The Airport collects a \$4.50 (in dollars) facility charge per enplaned passenger to fund approved FAA projects. The PFCs are withheld by the respective airlines for each ticket purchased and passenger transfer made in St. Louis and remitted to the Airport one month after the month of receipt, less an \$0.11 (in dollars) per ticket operating fee retained by the airlines. PFCs represent an exchange-like transaction, and are recognized as nonoperating revenue based upon passenger enplanements. Passenger facility charges receivable as of June 30, 2008 and 2007 were \$3,693 and \$5,365, respectively. These amounts were collected during July and August of 2008 and 2007, respectively.

**(e) *Capital Assets***

Capital assets are recorded at cost. Depreciation, including depreciation recognized on assets acquired through government grants and other aid, is computed on the straight-line method over the estimated useful lives of the various classes of assets. Land is recorded at cost, which in addition to the purchase price, includes appraisal and legal fees, demolition, and homeowner relocation costs. Net interest costs on funds borrowed to finance the construction of capital assets are capitalized and amortized over the life of the related asset.

Airport management has evaluated prominent events or changes in circumstances affecting capital assets to determine whether any impairments of capital assets have occurred (see note 14). Such events or changes in circumstances that were considered by Airport management to be indicative of impairment include evidence of physical damage, enactment or approval of laws or regulations or other changes in environmental factors, technological changes or evidence of obsolescence, changes in the manner or duration of use of a capital asset, and construction stoppage.

**(f) *Bond Discounts and Premiums, Deferred Amounts on Refunding, and Deferred Bond Issue Costs***

Bond discounts, bond premiums, and deferred amounts on refunding are recorded as reductions of or additions to the related debt obligation as appropriate. Such amounts are deferred and amortized over the life of the bonds using the bonds outstanding method, which approximates the interest method.

Deferred bond issue costs represents costs related to the issuance of the Airport's outstanding revenue bonds. Such amounts are deferred and amortized over the life of the bonds using the bonds outstanding method, which approximates the interest method.

**LAMBERT – ST. LOUIS INTERNATIONAL AIRPORT**  
(An Enterprise Fund of the City of St. Louis, Missouri)

Notes to Basic Financial Statements

June 30, 2008 and 2007

(Dollars in thousands)

**(g) *Intangible and Other Assets***

Intangible and other assets are comprised of easements of \$2,456 and \$2,552 at June 30, 2008 and 2007, respectively, which are being amortized on the straight-line method over 40 years, and non-current assets of \$10,800 at June 30, 2008 related to a settlement agreement entered into between the Airport and the City of the Bridgeton.

**(h) *Accounts Payable and Accrued Expenses***

Accounts payable and accrued expenses at June 30, 2008 and 2007 is comprised of \$4,938 and \$4,636, respectively, of accrued salaries and benefits; \$9,057 and \$5,530, respectively, due to vendors and contractors; and \$4,737 and \$211, respectively, of other accrued expenses.

**(i) *Vacation and Sick Leave Benefits***

Under the terms of the City's personnel policy, City employees are granted vacation and sick leave. Employees who have an unused sick leave balance may, at retirement, elect to receive payment for one-half of the sick leave balance. As an estimate of the portion of sick leave that will result in termination payments, a liability has been recorded on the accompanying financial statements within other long-term liabilities representing one-half of the accumulated sick leave balances for those employees who will be eligible to retire within five years. The liability totaled \$2,111 and \$2,254 as of June 30, 2008 and 2007, respectively, and is included in other long-term liabilities.

The vacation liability reflects amounts attributable to employee services already rendered and are cumulative. The liability totaled \$3,536 and \$3,407 as of June 30, 2008 and 2007, respectively, and is included in accounts payable and accrued expenses.

**(j) *Capital Contributions***

Capital contributions represent government grants and other aid used to fund capital projects. Capital contributions are recognized as revenue when the expenditure is made and amounts become subject to claim for reimbursement. Amounts received from other governments that are not restricted for capital purposes are reflected as nonoperating intergovernmental revenue.

**(k) *Statements of Cash Flows***

For purposes of the statements of cash flows, cash and cash equivalents is defined as all highly liquid investments (including restricted assets) with a maturity of three months or less when purchased.

**(l) *Use of Estimates***

The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from these estimates.

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**(m) Reclassifications**

Certain 2007 amounts have been reclassified to conform with fiscal year 2008 presentation.

**(2) Cash and Investments**

Investments are recorded at fair value. Fair value for investments is determined by closing market prices at year-end as reported by the respective investment custodian.

The Airport deposits all cash with the Office of the Treasurer of the City, which maintains all banking relationships for the Airport. Additionally, all investment decisions are made by the City Treasurer and the City's agents.

Certificates of deposit are defined as investments for balance sheet classification and cash flow purposes; for custodial risk disclosure, however, they are described below as cash deposits. In addition, money market mutual funds are classified as cash and cash equivalents on the balance sheet, but as investments for custodial risk disclosure.

As of June 30, 2008 and 2007, the Airport had the following cash deposits and investments:

	<b>2008</b>	<b>2007</b>
Federal National Mortgage Association	\$ 56,061	78,204
Federal Home Loan Mortgage Corporation	49,738	49,910
Federal Home Loan Bank	71,655	15,464
Federal Farm Credit Discount Note	54	—
Government Backed Trusts	798	698
Commercial Paper	7,480	7,480
Money Market Mutual Funds	24,922	29,671
Certificates of Deposit	18,631	10,178
Other Cash Deposits	37,095	48,822
	<u>\$ 266,434</u>	<u>240,427</u>

State statutes and City investment policies authorize the deposit of funds in financial institutions and trust companies. Investments may be made in obligations of the United States Government or any agency or instrumentality thereof; bonds of the State of Missouri, the City of St. Louis, Missouri, or any city within the state with a population of 400,000 inhabitants or more; or time certificates of deposit; provided, however, that no such investment shall be purchased at a price in excess of par. In addition, the City may enter into repurchase agreements maturing and becoming payable within 90 days secured by United States Treasury obligations or obligations of the United States Government agencies or instrumentalities of any maturity as provided by law. City funds in the form of cash on deposit or time certificates of deposit are required to be insured or collateralized by authorized investments held in the City's name.

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**(a) Interest Rate Risk**

The Airport seeks to minimize its exposure to fair value losses arising from changes in interest rates by selecting investments in adherence to the Investment Policy for the City of St. Louis, Missouri (Investment Policy). The Investment Policy provides that, to the extent possible, the City shall attempt to match its investments with anticipated cash flow requirements. Unless matched to a specific cash flow, the City will not directly invest in securities or make a time deposit with a stated maturity or more than five years from the date of purchase. The average maturity for collateral provided to the City for deposits in connection with a repurchase agreement shall not exceed five years without the written approval of the Treasurer. In connection with any outstanding bond issue, debt service reserve funds may be invested to a maximum maturity of 15 years, and up to 30 years with the approval of the Treasurer.

The investments had the following maturities on June 30, 2008:

	Fair value	Investment maturities (in years)			
		Less than 1	1-5	6-10	More than 10
Federal National Mortgage Association	\$ 56,061	53,671	—	2,390	—
Federal Home Loan Mortgage Corporation	49,738	49,738	—	—	—
Federal Home Loan Bank	71,655	71,655	—	—	—
Federal Farm Credit Discount Note	54	54	—	—	—
Government Backed Trusts	798	—	—	798	—
Commercial Paper	7,480	7,480	—	—	—
Money Market Mutual Funds	24,922	24,922	—	—	—
	<u>\$ 210,708</u>	<u>207,520</u>	<u>—</u>	<u>3,188</u>	<u>—</u>

The investments had the following maturities on June 30, 2007:

	Fair value	Investment maturities (in years)			
		Less than 1	1-5	6-10	More than 10
Federal National Mortgage Association	\$ 78,204	75,872	—	2,332	—
Federal Home Loan Mortgage Corporation	49,910	49,910	—	—	—
Federal Home Loan Bank	15,464	15,464	—	—	—
Government Backed Trusts	698	—	—	698	—
Commercial Paper	7,480	7,480	—	—	—
Money Market Mutual Funds	29,671	29,671	—	—	—
	<u>\$ 181,427</u>	<u>178,397</u>	<u>—</u>	<u>3,030</u>	<u>—</u>

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**(b) Credit Risk**

The Investment Policy provides that investments of the City be rated in one of the three-highest ratings categories by Moody's Investors Service, Standard & Poor's Corporation, or Fitch's Ratings Service.

The Airport's investments in Federal National Mortgage Association, Federal Home Loan Mortgage Corporation, Federal Home Loan Bank, and Federal Farm Credit Discount Notes as of June 30, 2008 and 2007 were rated P-1 by Moody's Investor Service and A-1+ by Standard and Poor's. The Airport's investments in Government Backed Trusts as of June 30, 2008 and 2007 were rated AAA by Standard and Poor's. The Airport's investments in Commercial Paper as of June 30, 2008 and 2007 were rated P-1 by Moody's Investor Service and A-1 by Standard and Poor's.

**(c) Custodial Credit Risk**

Custodial credit risk is the risk that, in the event of the failure of a counterparty, the Airport will not be able to recover the value of the investments or collateral securities that are in the possession of the counterparty.

The Investment Policy requires that all cash deposits, time certificates of deposit, deposits with listed institutions, and repurchase agreements be covered by adequate pledged collateral. Acceptable collateral includes U.S. Treasury obligations, other interest-bearing securities guaranteed as to principal and interest by the U.S. or an agency or instrumentality of the U.S., bonds of the State of Missouri, or bonds of the City. The market value of the principal and accrued interest of the collateral must equal 103% of the deposits secured, less any amount subject to federal deposit insurance. All City securities and securities pledged as collateral must be held in a segregated account on behalf of the City by an independent third party with whom the City has a current custodial agreement and has been designated by the Treasurer and Funds Committee as eligible to serve in such a capacity.

At June 30, 2008 and 2007, all Airport investments and all collateral securities pledged against Airport deposits are held by the counterparty's trust department or agent in the City's name.

**(d) Concentration of Credit Risk**

The Investment Policy of the City provides that, with the exception of U.S. Treasury Securities, no more than 35% of the City's total investment portfolio will be invested in a single security type or with a single financial institution. The Airport has no separate policy related to the concentration of credit risk, and the Airport's concentration of credit risk is considered in conjunction with the review of the concentration of credit risk for the City's total investment portfolio.



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At June 30, 2008, the concentration of the Airport's investments (excluding cash deposits) was as follows:

Federal National Mortgage Association	26.61%
Federal Home Loan Mortgage Corporation	23.60
Federal Home Loan Bank	34.00
Federal Farm Credit Discount Note	0.03
Government Backed Trusts	0.38
Commercial Paper	3.55
Money Market Mutual Funds	11.83
	100.00%

At June 30, 2007, the concentration of the Airport's investments (excluding cash deposits) was as follows:

Federal National Mortgage Association	43.10%
Federal Home Loan Mortgage Corporation	27.51
Federal Home Loan Bank	8.53
Government Backed Trusts	0.39
Commercial Paper	4.12
Money Market Mutual Funds	16.35
	100.00%

**(3) Restricted Assets**

Cash and investments, restricted in accordance with City ordinances and bond provisions, are as follows at June 30, 2008 and 2007:

	<b>2008</b>	<b>2007</b>
Airport Bond Fund:		
Debt Service Account	\$ 43,267	45,183
Debt Service Reserve Account	35,755	35,998
Airport Renewal and Replacement Fund	3,500	3,500
Passenger Facility Charge Fund	28,468	18,633
Airport Development Fund	68,846	49,433
Airport Construction Fund	75,589	77,877
Drug Enforcement Agency Funds	2,118	2,041
	\$ 257,543	232,665



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City ordinances require that revenues derived from the operation of the Airport be deposited into the unrestricted Airport Revenue Fund. From this fund, the following allocations are made (as soon as practicable in each month after the deposit of revenues, but no later than five business days before the end of each month) in the following order of priority:

- (a) Unrestricted Airport Operation and Maintenance Fund: an amount sufficient to pay the estimated operation and maintenance expenses during the next month.
- (b) Airport Bond Fund: for credit to the Debt Service Account if and to the extent required so that the balance in said account shall equal the accrued aggregate debt service on the bonds, to the last day of the then current calendar month. This account shall be used only for payment of bond principal and interest as the same shall become due.
- (c) Airport Bond Fund: for credit to the Debt Service Reserve Account: an amount sufficient to maintain a balance in such account equal to the debt service reserve requirement (an amount equal to the greatest amount of principal and interest due in any future fiscal year). This account shall be available for deficiencies in the Debt Service Account on the last business day of any month, and the balance shall be transferred to the Debt Service Account whenever the balance in the Debt Service Account (before the transfer) is not sufficient to pay fully all outstanding bonds.
- (d) Arbitrage Rebate Fund: an amount necessary to fund the Arbitrage Rebate in order to pay the Rebate Amount when due and payable.
- (e) Subordinated Indebtedness: an amount sufficient to pay Subordinated Indebtedness in accordance with the authorizing and implementing documents for such Subordinated Indebtedness.
- (f) Airport Renewal and Replacement Fund: an amount equal to \$57, provided that no deposit shall be required to be made into said fund whenever and as long as uncommitted moneys in said fund are equal to or greater than \$3,500 or such larger amount as the City shall determine is necessary for purposes of said fund and provided further that, if any such monthly allocation to said fund shall be less than the required amounts, the amount of the next succeeding monthly payments shall be increased by the amount of such deficiency. This fund shall be used for paying costs of renewal or replacement of capital items used in connection with the operation of the Airport.
- (g) A subaccount in the Airport Revenue Fund: an amount determined from time-to-time by the City such that, if deposits were made in amounts equal to such amount in each succeeding month during each Airport fiscal year, the balance in such subaccount shall equal the amounts payable to the City with respect to such Airport fiscal year for the payment of 5% of gross receipts from operations of the Airport. A maximum of 80% of the monthly transfer to this subaccount may be paid to the City during the Airport's fiscal year. The final installment may only be paid to the City upon delivery of the Airport's audited financial statements to the Airport Bond Fund Trustee.
- (h) Airport Debt Service Stabilization Fund and the Airport Development Fund: various amounts for fiscal years 2006 through 2011, achieving a balance of \$38,211 at the end of fiscal year 2011.

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Beginning in fiscal year 2012, the Airport will allocate an amount sufficient to bring the amount on deposit in the Debt Stabilization Fund equal to the Debt Stabilization Fund Requirement (or such lesser amount as is available in the Revenue Fund for such transfer).

- (i) The remaining balance in the Revenue Fund shall be deposited into the Airport Development Fund. This fund shall be used for extensions and improvements to the Airport, including equipment acquisition.

City ordinances provide that, in the event the sums on deposit in the Airport Bond Fund – Debt Service and Debt Service Reserve Accounts are insufficient to pay accruing interest, maturing principal or both, Airport Development Fund, and Airport Renewal and Replacement Fund may be drawn upon, to the extent necessary, to provide for the payment of such interest, principal, or both. Any sums so withdrawn from these accounts for said purposes shall be restored thereto in the manner provided for in their original establishment. City ordinances also provide that the principal proceeds from the sale of Airport revenue bonds shall be held in the Airport Construction Fund from which they shall be disbursed for the purposes contemplated in these ordinances.

**(4) Capital Assets**

Following is a summary of the changes in capital assets for the year ended June 30, 2008:

	<b>Balances June 30, 2007</b>	<b>Additions</b>	<b>Retirements</b>	<b>Transfers</b>	<b>Balances June 30, 2008</b>
Capital assets being depreciated:					
Pavings	\$ 894,061	1,183	—	23,847	919,091
Buildings and facilities	396,419	683	—	53,873	450,975
Equipment	61,989	4,251	(2,287)	2,155	66,108
	<u>1,352,469</u>	<u>6,117</u>	<u>(2,287)</u>	<u>79,875</u>	<u>1,436,174</u>
Less accumulated depreciation:					
Pavings	(225,636)	(29,817)	—	—	(255,453)
Buildings and facilities	(255,229)	(13,681)	—	—	(268,910)
Equipment	(42,305)	(3,852)	2,182	—	(43,975)
Total accumulated depreciation	<u>(523,170)</u>	<u>(47,350)</u>	<u>2,182</u>	<u>—</u>	<u>(568,338)</u>
Total capital assets being depreciated	<u>829,299</u>	<u>(41,233)</u>	<u>(105)</u>	<u>79,875</u>	<u>867,836</u>
Capital assets not being depreciated:					
Land	786,414	1,212	(34,384)	(2,699)	750,543
Construction in progress	68,431	38,066	—	(77,176)	29,321
Total capital assets not being depreciated	<u>854,845</u>	<u>39,278</u>	<u>(34,384)</u>	<u>(79,875)</u>	<u>779,864</u>
	<u>\$ 1,684,144</u>	<u>(1,955)</u>	<u>(34,489)</u>	<u>—</u>	<u>1,647,700</u>

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Following is a summary of the changes in capital assets for the year ended June 30, 2007:

	<b>Balances June 30, 2006</b>	<b>Additions</b>	<b>Retirements</b>	<b>Transfers</b>	<b>Balances June 30, 2007</b>
Capital assets being depreciated:					
Pavings	\$ 859,533	125	(1,364)	35,767	894,061
Buildings and facilities	390,771	487	(1,213)	6,374	396,419
Equipment	62,596	1,493	(2,116)	16	61,989
	<u>1,312,900</u>	<u>2,105</u>	<u>(4,693)</u>	<u>42,157</u>	<u>1,352,469</u>
Less accumulated depreciation:					
Pavings	(197,333)	(29,668)	1,365	—	(225,636)
Buildings and facilities	(243,225)	(13,182)	1,178	—	(255,229)
Equipment	(41,079)	(3,330)	2,104	—	(42,305)
Total accumulated depreciation	<u>(481,637)</u>	<u>(46,180)</u>	<u>4,647</u>	<u>—</u>	<u>(523,170)</u>
Total capital assets being depreciated	<u>831,263</u>	<u>(44,075)</u>	<u>(46)</u>	<u>42,157</u>	<u>829,299</u>
Capital assets not being depreciated:					
Land	860,588	12,327	(86,587)	86	786,414
Construction in progress	60,787	49,887	—	(42,243)	68,431
Total capital assets not being depreciated	<u>921,375</u>	<u>62,214</u>	<u>(86,587)</u>	<u>(42,157)</u>	<u>854,845</u>
	<u>\$ 1,752,638</u>	<u>18,139</u>	<u>(86,633)</u>	<u>—</u>	<u>1,684,144</u>

Construction in progress as of June 30, 2008 and June 30, 2007 consists of various improvements to the airfield and terminal buildings, as well as property purchased on which the Airport's expansion facilities will be constructed.

The estimated useful lives of capital assets are as follows:

	<b>Years</b>
Pavings	18 – 30
Buildings and facilities	20 – 30
Equipment	2 – 20

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**(5) Change in Long-Term Liabilities**

Following is a summary of the changes in long-term liabilities for the year ended June 30, 2008:

	Balance June 30, 2007	Additions	Reductions	Balance June 30, 2008	Due Within One Year
Revenue bonds payable (see note 6)	\$ 843,920	—	(25,090)	818,830	21,725
Net pension obligation (see note 16)	7,584	3,176	(8,995)	1,765	—
Due to City of Bridgeton (see note 18)	—	10,800	—	10,800	3,300
Pension Funding Project (see note 16)	—	5,510	—	5,510	—
Forward purchase agreement and other (see note 8)	1,035	—	(128)	907	—
Accrued vacation, compensatory, and sick time benefits	5,661	3,778	(3,365)	6,074	3,963
Unamortized discounts, premiums, and deferred amounts on refunding (see note 6)	21,826	—	(248)	21,578	—
Total	<u>\$ 880,026</u>	<u>23,264</u>	<u>(37,826)</u>	<u>865,464</u>	<u>28,988</u>

Following is a summary of the changes in long-term liabilities for the year ended June 30, 2007:

	Balance June 30, 2006	Additions	Reductions	Balance June 30, 2007	Due Within One Year
Revenue bonds payable (see note 6)	\$ 861,085	336,010	(353,175)	843,920	25,090
Net pension obligation (see note 16)	6,244	1,340	—	7,584	—
Forward purchase agreement and other (see note 8)	1,650	—	(615)	1,035	—
Accrued vacation, compensatory, and sick time benefits	5,173	3,813	(3,325)	5,661	3,407
Unamortized discounts, premiums, and deferred amounts on refunding (see note 6)	15,769	6,365	(308)	21,826	—
Total	<u>\$ 889,921</u>	<u>347,528</u>	<u>(357,423)</u>	<u>880,026</u>	<u>28,497</u>

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**(6) Revenue Bonds Payable**

Bonds outstanding at June 30, 2008 and 2007 are summarized as follows:

	<u>2008</u>	<u>2007</u>
Bond Series 1996, interest rate of 5.35%, payable in varying amounts through 2008	\$ —	4,275
Bond Series 1997, Series B, interest rates ranging from 5.25% to 6%, payable in varying amounts through 2015	35,465	39,575
Bond Series 1998, interest rates ranging from 4.0% to 5.13%, payable in varying amounts through 2016	49,380	54,330
Bond Series 2001A, interest rates ranging from 4.13% to 5.50%, payable in varying amounts through 2012	25,020	30,810
Bond Series 2002, Series A, B, and C, interest rates ranging from 4.0% to 5.50%, payable in varying amounts through 2033	43,385	44,885
Bond Series 2003A, interest rates ranging from 2.80% to 5.25%, payable in varying amounts through 2019	65,875	70,340
Bond Series 2005, interest rate ranging from 4.00% to 5.50%, payable in varying amounts through 2032	263,695	263,695
Bond Series 2007A, interest rate ranging from 4.00% to 5.25%, payable in varying amounts through 2033	231,275	231,275
Bond Series 2007B, interest rate of 5.00%, payable in varying amounts through 2028	104,735	104,735
	<u>818,830</u>	<u>843,920</u>
Less:		
Current maturities	(21,725)	(25,090)
Unamortized discounts and premiums	56,778	60,906
Deferred amounts on refunding	(35,200)	(39,080)
	<u>(147)</u>	<u>(3,264)</u>
	<u>\$ 818,683</u>	<u>840,656</u>

Interest payments on the above issues are due semiannually on January 1 and July 1.

On January 23, 2007, the Airport issued \$231,275 in Series 2007A Revenue Refunding Bonds with an average interest rate of 4.88 percent to advance refund \$178,395 of outstanding 2001A Series Revenue Refunding bonds, and \$54,670 of outstanding 2002A Series Revenue Refunding bonds with an average interest rate of 5.07 percent. The net proceeds of \$241,933 (after the addition of a net issue premium of \$15,798 and payment of \$5,140 in underwriting fees, insurance, and other issuance costs) were deposited into an irrevocable trust with an escrow agent to provide for the refunded debt service payments. At June 30, 2007, \$178,395 of 2001A Series Revenue Refunding bonds, and \$54,670 of 2002A Series Revenue Refunding bonds are considered defeased. Accordingly, the trust account assets and the liability for the defeased bonds are not included in the Airport's financial statements.

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The advance refunding with the Series 2007A Revenue Refunding Bonds resulted in a difference between the reacquisition price and the net carrying amount of the old debt of \$11,455. This difference, reported in the accompanying financial statements as a deduction from bonds payable, is being charged to operations through the year 2032 using the bonds outstanding method. The Airport completed the advance refunding to reduce its total debt service payments over the next 25 years by \$8,641 and to obtain an economic gain (difference between the present values of the old and new debt service payments) of \$7,238.

On April 3, 2007, the Airport issued \$104,735 in Series 2007B Revenue Refunding Bonds with an average interest rate of 4.93 percent to advance refund \$106,150 of outstanding 1997B Series Revenue Refunding bonds with an average interest rate of 5.25 percent. The net proceeds of \$108,765 (after the addition of a net issue premium of \$6,324 and payment of \$2,294 in underwriting fees, insurance, and other issuance costs) were deposited into an irrevocable trust with an escrow agent to provide for the refunded debt service payments. At June 30, 2007, \$106,150 of 1997B Series Revenue Refunding bonds is considered defeased. Accordingly, the trust account assets and the liability for the defeased bonds are not included in the Airport's financial statements.

The advance refunding with the Series 2007B Revenue Refunding Bonds resulted in a difference between the reacquisition price and the net carrying amount of the old debt of \$4,399. This difference, reported in the accompanying financial statements as a deduction from bonds payable, is being charged to operations through the year 2014 using the bonds outstanding method. The Airport completed the advance refunding to reduce its total debt service payments over the next 20 years by \$8,018 and to obtain an economic gain (difference between the present values of the old and new debt service payments) of \$5,754.

The deferred amounts on refunding of \$35,200 and \$39,080 at June 30, 2008 and 2007, respectively, relate to the refunded Bond Series 1984, Bond Series 1987, Bond Series 1992, Bond Series 1997A, Bond Series 1997B, Bond Series 2001A, Bond Series 2002A, Bond Series 2003A, and Bond Series 2003B, and are included in revenue bonds payable within the accompanying balance sheets. The deferred amounts on refunding are amortized as a component of interest expense using the bonds outstanding method over the life of the new bonds or of the old bonds, whichever is less.

Management is not aware of any violations of significant bond covenants with respect to the above issues at June 30, 2008 and 2007.

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As of June 30, 2008, the Airport's aggregate debt service requirements for the next five years and in five-year increments thereafter are as follows:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
Year ending June 30:			
2009	\$ 21,725	41,731	63,456
2010	21,670	40,594	62,264
2011	24,015	39,380	63,395
2012	25,965	38,061	64,026
2013	27,030	36,673	63,703
2014-2018	188,865	155,927	344,792
2019-2023	182,370	107,523	289,893
2024-2028	183,420	62,499	245,919
2029-2033	143,770	16,412	160,182
	<u>\$ 818,830</u>	<u>538,800</u>	<u>1,357,630</u>

In the current and prior years, the Airport advance refunded various Airport Revenue Bonds by placing funds in an irrevocable trust to provide for all future debt service payments on these bonds. Accordingly, the trust account assets and the liability for the defeased bonds are not included in the Airport's financial statements. At June 30, 2008 and 2007, \$547,880 and \$665,140, respectively, of these outstanding bonds are considered defeased.

**(7) Commercial Paper**

On May 1, 2004, the City's Board of Alderman authorized the Airport to issue Commercial Paper Notes, 2004 Program, in an aggregate principal amount not to exceed \$125,000 outstanding at any one time. As of June 30, 2008 and 2007, commercial paper of \$1,000 was outstanding. At June 30, 2008 and 2007, respectively, this commercial paper bore interest at rates of 1.65% and 3.85%, respectively, and was due on September 4, 2008 and September 5, 2007, respectfully.

Following is a summary of the changes in commercial paper payable for the years ended June 30, 2008 and 2007:

	<u>2008</u>	<u>2007</u>
Balances, beginning of year	\$ 1,000	1,000
Commercial paper issued	3,000	7,000
Commercial paper repaid	(3,000)	(7,000)
Balances, end of year	<u>\$ 1,000</u>	<u>1,000</u>

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**(8) Forward Purchase Agreements**

**(a) Objective of the forward purchase agreements**

The Airport has entered into nine forward purchase agreements with financial institutions that guarantee the Airport a fixed rate of return on the invested proceeds of the debt service and debt service reserve funds of certain of the Airport's bond issuances. The Airport entered into these agreements in order to ensure that its investments will earn a guaranteed rate of interest regardless of fluctuations in market interest rates.

**(b) Terms**

The terms of forward purchase agreements I – V, as of June 30, 2008, are as follows:

	<u>I</u>	<u>II</u>	<u>III</u>	<u>IV</u>	<u>V</u>
Date of origin	June 1995	September 1997	October 2000	December 2003, as amended July 2005	December 2003, as amended January 2007
Underlying bond account(s)	Series 1996, Series 2002C, Series 2003B debt service	Series 1997 debt service reserve	Series 2003A debt service reserve	Series 1997A, Series 2005 debt service	Series 1997B debt service
Guaranteed interest rate	6.34%	Terminated	6.47%	5.34%	5.35%
Lump-sum payment received at beginning of agreement	\$ 7,209	Terminated	N/A	N/A	N/A
Date of termination (upon maturity of bond series)	2015	Terminated	2008	2027	2014
Notional amount (representing balance in applicable accounts) \$	1,147	Terminated	\$ 7,034	\$ 1,015	\$ 5,364
Obligation (representing the unamortized portion of lump- sum payment) recorded in other long-term liabilities on the balance sheet at June 30, 2008	\$ 733	Terminated	N/A	N/A	N/A



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The terms of forward purchase agreements VI – IX, as of June 30, 2008, are as follows:

	<b>VI</b>	<b>VII</b>	<b>VIII</b>	<b>IX</b>
Date of origin	December 2003, as amended July 2005 and January 2007	December 2003, as amended July 2005 and January 2007	December 2003	December 2003
Underlying bond account(s)	Series 2001A, Series 2005, and Series 2007A debt services	Series 2002A, Series 2005 debt services	Series 2002B debt services	Series 2003A debt services
Guaranteed interest rate	5.432% - 05 Bonds 5.432% - 01 Bonds 5.44% - 07A Bonds	5.473%	5.332%	5.579%
Lump-sum payment received at beginning of agreement	N/A	N/A	N/A	N/A
Date of termination (upon maturity of bond series)	2031	2020	2032	2018
Notional amount (representing balance in applicable accounts)	\$ 17,953	\$ 707	\$ 1,409	\$ 6,282
Obligation (representing the unamortized portion of lump- sum payment) recorded in other long-term liabilities on the balance sheet at June 30, 2008	N/A	N/A	N/A	N/A

In January 2007, forward purchase agreement VI and VII were amended to replace the defeased portions of Bond Series 2001A and Bond Series 2002B with Bond Series 2007A. No payments were made in consideration of this amendment.

In January 2007, forward purchase agreement V was amended to exclude the defeased portion of Bond Series 1997B. No payments were made in consideration of this amendment.

In April 2007, forward purchase agreement II was terminated with the issuance of the Series 2007B Bonds. No payments were made in consideration of this amendment.

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In July 2005, forward purchase agreements IV, VI, VII were amended to replace Bond Series 1997A, Bond Series 2001A, and Bond Series 2002A, respectively, with Bond Series 2005. No payments were made in consideration of this amendment.

For forward purchase agreement I, in exchange for a lump-sum interest payment of \$7,209 received, the Airport has contracted to buy qualified eligible securities from a financial institution every month until the bonds mature, are called, or are refinanced. This institution receives the actual interest earned on the securities purchased every month. The difference between the fixed interest rate earned by the Airport and the variable interest rate paid to the financial institution is recorded as a net adjustment to net interest expense. The Airport's obligation under this forward purchase agreement, representing the unamortized portion of the original lump-sum interest payment received by the Airport, is \$733 and \$840 at June 30, 2008 and 2007, respectively, and is recorded in other long-term liabilities.

For forward purchase agreements III through IX, the Airport has contracted to buy qualified eligible securities from a financial institution on a monthly or semiannual basis and the financial institution has guaranteed that the securities will earn a stated rate. To the extent the securities earn a greater rate of return, the Airport is required to refund the difference to the financial institution; if a lesser rate is earned, the financial institution absorbs the loss.

**(c) Fair Value**

As disclosed above, the Airport's obligation associated with forward purchase agreement I is recorded on the financial statements within other long-term liabilities. This liability represents the unamortized portion of the initial lump-sum payment received pursuant to this agreement.

The fair value of the remaining forward purchase agreements, under which no initial lump-sum payments were received, is not recorded on the financial statements. As of June 30, 2008, these fair values are as follows:

Agreement	Fair value
III	\$ 170
IV	297
V	347
VI	4,295
VII	104
VIII	231
IX	633

These fair values were calculated using the following method: the variable rate of return to be retained by the financial institutions was assumed to be the rate of a return available at June 30, 2008 for a United States Treasury obligation with a comparable length of time remaining until maturity. The variable rate of return was then subtracted from the fixed rate of return guaranteed to the Airport, and multiplied by the securities required to be invested under the agreements for all future periods. The resulting difference in future cash flows was discounted to the present at the rate of a

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return available at June 30, 2008 for a United States Treasury obligation with a comparable length of time remaining until maturity.

**(d) Credit Risk**

The forward purchase agreements' fair value represents the Airport's credit exposure to the financial institutions as of June 30, 2008. Should the financial institutions fail to perform according to the terms of the agreements, the Airport faces a maximum possible loss equivalent to the fair value of agreements III through IX of \$6,077.

**(e) Interest Rate Risk**

The forward purchase agreements expose the Airport to interest rate risk. Should interest rates increase above the levels guaranteed by the agreements, the financial institutions, and not the Airport, would realize this increase in investment earnings.

**(f) Termination Risk**

Either the Airport or the financial institutions may terminate the agreements under certain conditions. Should such a termination take place, the Airport would either owe a termination payment to the financial institutions or be entitled to a termination payment from the financial institutions, depending upon market interest rate conditions at the time of the termination.

**(9) Use Agreements and Leases with Signatory Air Carriers**

Effective January 1, 2006, the Airport entered into new long-term use and lease agreements with signatory air carriers that expires on June 30, 2011. The previous long-term use and lease agreements with signatory air carriers expired on December 31, 2005.

Under the terms of the current use and lease agreements, the air carriers have agreed to pay airfield landing fees; terminal and concourse rentals; hangar, cargo, and maintenance facility rentals; and certain miscellaneous charges in consideration for use of the Airport. The use and lease agreements also require the Airport to make certain capital improvements and to provide maintenance of certain Airport facilities. Payments by the air carriers are determined as follows:

- (a) Landing fees are calculated based on estimated operating and maintenance expenses of the airfield and allocated to the air carriers on the basis of landing weights. Landing fee revenues are adjusted each year by retroactive rate adjustment that is calculated as the difference between estimated and actual costs incurred and estimated and actual landing weights. These revenues are included in aviation revenue – airfield.
- (b) Rentals are calculated based on estimated operating and maintenance expenses of the terminal and concourse areas and hangars, cargo, and maintenance facilities, and allocated to the air carriers on the basis of square footage utilized. Rental revenue is adjusted each year by retroactive rate adjustment that is calculated as the difference between estimated and actual costs incurred. These

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revenues are included in aviation revenue – terminal and concourses, hangars, and other buildings or cargo buildings, respectively.

- (c) Miscellaneous income is derived from the air carriers for their use of sanitary disposal facilities and airline service buildings.

During fiscal years 2008 and 2007, revenues from signatory air carriers accounted for 58% and 59%, respectively, of total Airport operating revenues.

Minimum future rentals for each year in the next five years and in the aggregate are not determinable given the method of calculation.

The following is a summary of aviation revenue by category and source from signatory and nonsignatory air carriers for the years ended June 30, 2008 and 2007:

<b>2008</b>			
	<b>Signatory</b>	<b>Nonsignatory</b>	<b>Total</b>
Airfield	\$ 57,582	8,258	65,840
Terminal and concourses	19,753	2,157	21,910
Hangars and other buildings	740	65	805
Cargo buildings	545	128	673
	\$ 78,620	10,608	89,228
	\$ 78,620	10,608	89,228
<b>2007</b>			
	<b>Signatory</b>	<b>Nonsignatory</b>	<b>Total</b>
Airfield	\$ 52,721	9,857	62,578
Terminal and concourses	19,491	2,446	21,937
Hangars and other buildings	764	29	793
Cargo buildings	673	68	741
	\$ 73,649	12,400	86,049
	\$ 73,649	12,400	86,049

No assurance can be given as to the levels of aviation activity that will be achieved at the Airport in future fiscal years. Future traffic at the Airport is sensitive to a variety of factors including: (1) the growth in the population and the economy of the area served by the Airport (2) national and international political and economic conditions, including the effects of any past or future terrorist attacks; (3) air carrier economics and air fares; (4) the availability and price of aviation fuel; (5) air carrier service and route networks; (6) the capacity of the air traffic control system; and (7) the capacity of the Airport/airways system.

The level of aviation activity at the Airport can have a material impact on the amount of total revenues generated at the Airport. However, Airport management believes the risk of significant variance in Airport

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revenues is mitigated by the Airport Use Agreements, concession agreements, and other leases, which contain minimum annual revenue guarantees.

**(10) Use Agreement with Signatory Air Carriers – American Airlines, Inc. and Southwest Airlines**

American Airlines, Inc. (American) and Southwest Airlines (Southwest) represent the major air carrier providing air passenger service at the Airport.

American provided 20% and 22% of the Airport's total operating revenues and 34% and 36% of total revenues from signatory air carriers for the fiscal years ended June 30, 2008 and 2007, respectively. Accounts receivable at June 30, 2008 and 2007 contained of \$1,793 and \$2,859, respectively, relating to amounts owed to the Airport by American. These amounts include \$1,780 and \$1,525 of unbilled aviation revenues at June 30, 2008 and 2007, respectively.

Southwest provided 18% and 19% of the Airport's total operating revenues and 31% and 30% of total revenues from signatory air carriers for the fiscal years ended June 30, 2008 and 2007, respectively. Accounts receivable at June 30, 2008 and 2007 contained \$4,044 and \$2,937, respectively, relating to amounts owed to the Airport by Southwest. These amounts include \$2,432 and \$1,564 of unbilled aviation revenues at June 30, 2008 and 2007, respectively.

**(11) Operating Leases**

The Airport leases facilities and land with varying renewal privileges to various nonsignatory air carriers, concessionaires, and others. These leases, for periods ranging from 1 to 50 years, require the payment of minimum annual rentals. The following is a schedule by year of minimum future rentals on noncancelable operating leases, other than leases with signatory airlines, pursuant to long-term use agreements:

Year ending June 30:		
2009	\$	17,432
2010		10,843
2011		9,109
2012		7,667
2013		4,734
2014 – 2018		11,178
2019 – 2023		6,922
2024 – 2028		3,872
2029 – 2033		3,872
2034 – 2035		1,171
Total minimum future rentals		\$ <u><u>76,800</u></u>

The above amounts do not include contingent rentals that may be received under certain leases. Such contingent rentals amounted to \$6,009 and \$5,895 for the years ended June 30, 2008 and 2007, respectively.

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The Airport leases computer and other equipment and has service agreements under noncancelable arrangements that expire at various dates through 2010. Expenses for operating leases and service agreements were \$4,352 and \$3,592 for the years ended June 30, 2008 and 2007, respectively. Future minimum payments (excluding payments for snow removal that are not determinable) are as follows:

Year ending June 30:		
2009	\$	121
2010		89
2011		58
2012		27
Total minimum future rentals	\$	<u>295</u>

**(12) Concessionaire Revenues**

During fiscal years 2008 and 2007, revenues from concessionaires accounted for 18% and 18%, respectively, of total Airport operating revenues.

Following is a summary of rental revenues received by type of concessionaire for the years ended June 30, 2008 and 2007:

	<u>2008</u>	<u>2007</u>
Advertising	\$ 1,782	1,271
Transportation services	1,148	1,140
Automobile rental	12,310	11,112
General merchandise sales	2,274	2,358
Food and catering services	4,840	4,554
Other	1,734	1,759
	<u>\$ 24,088</u>	<u>22,194</u>

**(13) Parking Revenue, net**

Parking revenues, net represents revenues collected in conjunction with the operations of the Airport parking facilities, net of related expenses. Gross parking revenue and parking expenses for the years ended June 30, 2008 and 2007 are as follows:

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	<u>2008</u>	<u>2007</u>
Parking revenues	\$ 29,705	25,438
Parking expenses	(11,531)	(11,057)
Parking revenues, net	<u>\$ 18,174</u>	<u>14,381</u>

**(14) Impairment of Capital Assets**

Airport management performed an evaluation of capital assets, including whether prominent events or changes in circumstances affecting capital assets occurred, which may be indicative of impairment. As a result of evaluation of capital assets performed, and subsequent measurement of potential impairment losses, the Airport recognized an impairment of capital assets in the amount of \$0 and \$1,775 for the years ended June 30, 2008 and 2007, respectively.

The impairment charge recognized during fiscal year 2007 is classified as a nonoperating expense in the statement of revenues, expenses, and changes in fund net assets. This impairment loss represents the impairment of capitalized costs incurred related to construction projects that have ceased due to lack of funding, and the impairment of capital assets damaged by fire and weather conditions, and is presented net of insurance recoveries.

**(15) Related-Party Transactions**

During the years ended June 30, 2008 and 2007, the City charged the Airport \$1,469 and \$1,634, respectively, for services rendered by various City departments, which are included in the Airport's operating expenses as interfund services used.

Each year the Airport pays the City a gross receipts tax equal to 5% of the Airport's gross receipts. During the years ended June 30, 2008 and 2007, gross receipts tax amounted to \$5,831 and \$5,553, respectively, and is reflected as transfers out in the accompanying basic financial statements. As of June 30, 2008 and 2007, \$1,397 and \$1,648, respectively, remain unpaid.

**(16) Retirement Plans**

All employees of the Airport are covered by one of two Citywide employee retirement plans. The employees of the Airport Fire Department are covered by the Firemen's Retirement System of St. Louis (Firemen's System), a single-employer defined benefit retirement plan. All other employees are covered by the Employees' Retirement System of the City of St. Louis (Employees' System), a cost-sharing, multiple-employer, public defined benefit retirement plan. Each system is administered by a separate Board of Trustees, members of which are appointed by City officials and plan participants.

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**Firemen's Retirement System of St. Louis**

**(a) System Description**

All firefighters qualify as members of the Firemen's System and are thereby eligible to participate from their date of hire.

The Firemen's System issues a publicly available financial report that includes financial statements and supplementary information. That information may be obtained by writing to the Firemen's Retirement System of St. Louis; 1601 S. Broadway; St. Louis, Missouri, 63104.

The Firemen's System provided retirement benefits as well as death and disability benefits. Members can voluntarily retire after a minimum of 20 years of service. The monthly allowance consists of 40% of the final two-year average monthly compensation at 20 years of service, plus 2% of such final average compensation for each of the next five years of service, plus 5% of such final average compensation for each additional year of service over 25 years with a maximum pension of 75%. Unused accrued sick pay may increase the maximum pension beyond the 75% limitation. Such benefits are authorized by State statutes and adopted by City ordinance.

The Firemen's System, in accordance with Ordinance 62994 of the City, initiated during the Firemen's System's fiscal year ended August 31, 1994, the Deferred Retirement Option Plan (DROP). The DROP plan is available to members of the system who have achieved at least 20 years of creditable service and have eligibility for retirement. Those members who elect to participate will continue active employment, will have a service retirement allowance credited monthly into the DROP account of the member, and the member's contribution will be reduced to 1% from the normal 8%. During participation in the DROP plan, the member will not receive credit for employer contributions or credit for service. A member may participate in the DROP only once for any period up to five years. At retirement, the funds in the member's DROP account plus interest and accrued sick leave, if elected, is available to the member in a lump sum or in installments.

**(b) Funding Policy**

Firefighters are required to contribute 8% of their salary to the Firemen's System, as mandated per State statute and adopted by City ordinance. The City is required to contribute the remaining amounts necessary to fund the Firemen's System. Members of the Firemen's System are entitled to a lump-sum distribution of the entire amount of their contribution without interest upon service retirement. Members whose employment terminates prior to retirement are entitled to a lump-sum distribution of their contribution, plus interest thereon.



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**(c) Annual Pension Cost**

Contributions of \$149 were made to the Firemen's System by the Airport during the fiscal year ended June 30, 2008. The contribution consisted of \$123 of normal cost, plus \$26 in unfunded actuarial accrued liability amortization payments in accordance with actuarially determined contribution requirements based on an actuarial valuation performed at October 1, 2007. The following were some of the significant actuarial assumptions used in the valuation of the Firemen's System:

Date of actuarial valuation	October 1, 2007
Actuarial cost method	Entry age frozen liability method
Amortization method	30 years closed period from establishment
Remaining amortization period	Various
Asset valuation methods	3 year smoothed market
Inflation rate	3.500%, per year
Investment rate of return	7.625%, compounded annually
Projected salary increases	4.000%, per year to retirement age
Projected post-retirement benefit increases:	
Under age 60	
20-24 service years	1.50% per year
25-29 service years	2.25% per year
30 or more service years	3.00% per year
Over age 60	3.00% per year, maximum cumulative increase of 2.5%

**Three Year Trend Information – Firemen's System**

Fiscal year	Annual pension cost (APC)	Percentage of APC contributed	Net pension obligation
2008	\$ 149	100	\$ —
2007	369	100	—
2006	369	100	—

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**(d) Funded Status**

The funded status for the Firemen's System as a whole as of October 1, 2007 and 2006, respectively, is as follows. A determination of funded status is not made for individual funds.

<b>Actuarial Valuation Date</b>	<b>Actuarial Value of Assets</b>	<b>Entry Age Actuarial Accrued Liability (AAL)</b>	<b>Unfunded AAL (UAAL)</b>	<b>Funded Ratio</b>	<b>Annual Covered Payroll</b>	<b>UAAL as a Percentage of Covered Payroll</b>
10/1/2007	\$ 495,116	\$533,235	\$ 38,119	92.9 %	\$37,690	101.1 %
10/1/2006	410,775	440,486	29,711	93.3	35,727	83.2

For additional required supplementary information, refer to the City of St. Louis, Missouri, Comprehensive Annual Financial Report (CAFR) as of and for the year ended June 30, 2008. Such information presents multi-year trend information about whether the actuarial value of plan assets for the Firemen's System as a whole is increasing or decreasing over time relative to the actuarial accrued liability for benefits.

**Employees' Retirement System of the City of St. Louis**

**(a) System Description**

All nonuniformed employees of the Airport become members of the Employees' System upon employment, with the exception of employees hired after attaining age 60.

The Employees' System issues a publicly available financial report that includes financial statements and supplementary information. That report may be obtained by writing to the Employees Retirement System of the City of St. Louis; 1114 Market Street, Suite 900; St. Louis, Missouri 63101.

The Employees' System provides for defined benefit payments for retirement, death, or disability to eligible employees or their beneficiaries based upon creditable service, final average compensation, and a benefit compensation base. Benefits vest to employees covered by the Employees' System after the employee has attained five years of creditable service. Employees retire with full retirement benefits after the age 65 or if the employee's age and creditable service combined equal or exceed 85. Employees may retire and receive a reduced benefit after age 60, with five years of creditable service; age 55, with 20 years of creditable service; or at any age after 30 years of creditable service.

On June 8, 2000, the Mayor of the City approved an ordinance passed by the Board of Aldermen that will establish a Deferred Retirement Option Plan (DROP) effective January 1, 2001. This plan states that when members reach retirement age, they are allowed to work for five additional years and defer receipt of their retirement allowance. The calculation of average salary for retirement benefits will

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not include the additional years of service after normal retirement age. The amount that would have been received as retirement benefit is put in a special DROP account monthly. The DROP account will not be adjusted for cost of living increases as the normal retirement benefits are. The DROP account earns interest at the actuarial valuation rate of return and at the 10 year U.S. Treasury Bond yield as of September 30 for DROP participants enrolling February 1, 2003 and thereafter. After the member completely terminates employment, the member can withdraw amounts from the DROP account in a lump sum or according to a deferred retirement payment plan.

**(b) Funding Policy**

Employer contribution rates are established annually by the Board of Trustees of the Employees System based on an actuarial study. The Board of Trustees established the required employer contributions rate based active member payroll of 13.21% effective July 1, 2007, and 13.17% of active member payroll effective July 1, 2006. The City contributed 7.55% of active member payroll beginning July 2006, and in September 2007, the City made an additional contribution of \$46,700 to the Employees System as a whole.

Employees who became members of the Employees' System prior to October 14, 1977, and continue to make contributions, may make voluntary contributions to the Employees' System equal to 3% of the employee's compensation until the employee's compensation equals the maximum annual taxable earnings under the Federal Social Security Act. Thereafter, employees may contribute 6% of their compensation for the remainder of the calendar year. These voluntary contributions vest immediately.

**(c) Annual Pension Cost and Net Pension Obligation**

The Airport's allocation of the City's annual pension cost and net pension obligation to the Employees' System for the years ended June 30, 2008 and 2007 are as follows:

	<u>2008</u>	<u>2007</u>
Annual required contribution	\$ 3,243	3,144
Interest on net pension obligation	607	499
Adjustment to annual required contribution	(674)	(554)
Annual pension cost	<u>3,176</u>	<u>3,089</u>
Contributions made	<u>(8,995)</u>	<u>(1,749)</u>
Increase (decrease) in net pension obligation	(5,819)	1,340
Net pension obligation, beginning of year	<u>7,584</u>	<u>6,244</u>
Net pension obligation, end of year	<u>\$ 1,765</u>	<u>7,584</u>

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The net pension obligation of \$1,765 and \$7,584 as of June 30, 2008 and 2007, respectively, are reflected as other long term liabilities in the accompanying financial statements. During fiscal year 2008, the City of St. Louis Municipal Finance Corporation issued \$140,030 in Taxable Leasehold Revenue and Refunding Bonds Series 2007 (Pension Funding Project), of which \$46,700 was used to fund the Employees' Retirement System. While the Airport is not legally responsible for these bonds, \$5,510 of the bond proceeds contributed to the Employees' System were allocated to the Airport and included in the total contributions made of \$8,995 as shown above. Additionally, a \$5,510 liability is reflected as part of the other long-term liabilities on the balance sheet and is payable to the City of St. Louis by June 30, 2037.

The following were some of the significant actuarial assumptions used in the valuation of the Employees' System:

Date of actuarial valuation	October 1, 2007
Actuarial cost method	Projected unit credit actuarial cost method
Amortization method	Level dollar amount for unfunded liability, open
Remaining amortization period	30 years as of October 1, 2007
Asset valuation methods	The market value of assets less unrecognized returns in each of the last five years, but no earlier than October 1, 2005. Unrecognized return is equal to the difference between the actual market return and expected market return, and is recognized over a five year period. The actuarial asset value is further adjusted, if necessary, to be within 20% of the market value. The actuarial asset value was initialized as the market value as of October 1, 2005.
Investment rate of return	8.00%
Projected salary increases	3.825% to 7.226%
Cost of living adjustments	5.00% per year, maximum cumulative increase of 25%

**Three-Year Trend Information – Employees' System**

Fiscal year	Annual pension cost (APC)	Percentage of APC contributed	Net pension obligation
2008	\$ 3,176	283.22%	\$ 1,765
2007	3,089	56.62	7,584
2006	2,929	45.58	6,224

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**(d) Funded Status**

The funded status for the Employees' System as a whole as of September 30, 2007 and 2006, respectively, is as follows. A determination of funded status is not made for individual funds.

Actuarial Valuation Date	Actuarial Value of Assets	Entry Age Actuarial Accrued Liability (AAL)	Unfunded AAL (UAAL)	Funded Ratio	Annual Covered Payroll	UAAL as a Percentage of Covered Payroll
9/30/2007	\$ 646,569	\$ 732,576	\$ 86,007	88.3 %	\$ 231,029	37.2 %
9/30/2006	554,066	695,890	141,824	79.6	224,120	63.3

For additional required supplementary information, refer to the City of St. Louis, Missouri, Comprehensive Annual Financial Report (CAFR) as of and for the year ended June 30, 2008. Such information presents multi-year trend information about whether the actuarial value of plan assets for the Employees' System as a whole is increasing or decreasing over time relative to the actuarial accrued liability for benefits.

**(17) Commitments and Contingencies**

**(a) Record of Decision**

On September 30, 1998, the City received a favorable Record of Decision from the Federal Aviation Administration (FAA) for the W-1-W expansion of the Airport, marking the beginning of a new economic era for aviation in St. Louis. The W-1-W program provides the building blocks for a highly competitive "world-class" aviation system for the 21st century, including one additional 9,000-foot parallel runway to add capacity in all weather conditions and renovation of Lambert's existing runway and taxiway system.

The construction for this program is funded by Airport Development Funds, Passenger Facilities Charges, Federal Aviation Administration Airport Improvement Program grants, and Airport Revenue Bonds.

Lawsuits previously filed by the Cities of St. Charles and Bridgeton, Missouri, challenging the project have been adjudicated and fully reviewed by the appellate courts. In both cases, final judgments were rendered in favor of the City and the Airport. As of June 30, 2007, land acquisition activities relative to the W-1-W expansion project are complete.

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**(b) Other**

At June 30, 2008, the Airport had outstanding commitments amounting to approximately \$44,270, resulting primarily from contracts for construction projects. In addition, the Airport has \$24,190 in outstanding commitments resulting from service agreements.

In connection with Federal grant programs, the Airport is obligated to administer the related programs, spend the grant moneys in accordance with regulatory restrictions, and is subject to audit by the grantor agencies. In cases of noncompliance, the agencies involved may require the Airport to refund program moneys.

Finally, certain lawsuits were pending against the City that involved the Airport. In the opinion of Airport officials and legal counsel, these actions are not expected to have a material effect, individually or in the aggregate, on the financial position or results of operations of the Airport.

**(18) Loss on Disposal of Surplus Property**

During the year ended June 30, 2008, as a result of an agreement between the City of St. Louis and City of Bridgeton (Bridgeton), the Airport recognized a \$30,532 loss on the disposal of surplus property, which was originally acquired by the Airport for the purpose of noise mitigation and airport expansion. This agreement resolves and settles the remaining disputes between the Airport and Bridgeton. The key items in the agreement require the Airport to (1) pay over a three year period, \$10,800 to Bridgeton, (2) convey to Bridgeton approximately forty-two acres of land, and (3) lease to Bridgeton various parcels of land. Other key items in the agreement require Bridgeton to convey to the Airport approximately twenty-six acres of land. The land conveyed to Bridgeton by the Airport was originally recorded at cost. The cost of the land capitalized by the Airport in prior years represented all costs associated with preparing the land for its intended purpose of noise mitigation and airport expansion, including the costs of acquiring the land and returning the land to an undeveloped state. The land conveyed to the Airport by Bridgeton was recorded at fair market value. The difference resulted in a loss to the Airport. The terms of settlement for the surplus land included restrictions on the use of land resulting from its proximity to the Airport. Approximately ten acres of the land conveyed to the Airport will be leased to Bridgeton.

The above land transactions are part of a larger settlement agreement with Bridgeton. The Airport obtained FAA approval on the settlement agreement prior to closing on the agreement. As such, the Airport did not receive cash, but consideration in the form of an exchange of similar properties. The receipt of these properties will complete the land acquisition of all remaining properties owned by Bridgeton that are within the W-1W boundaries. As stated in the preceding paragraph, the Airport will pay over a three year period, \$10,800 to Bridgeton. In fiscal years 2009, 2010, and 2011 \$3,300, \$4,000, and \$3,500 respectively is due to Bridgeton. The liability totaled \$10,800 as of June 30, 2008, and \$3,300 is included in accounts payable and accrued expenses with the remaining \$7,500 included in other long-term liabilities within the accompanying balance sheet at June 30, 2008.

**LAMBERT – ST. LOUIS INTERNATIONAL AIRPORT**  
(An Enterprise Fund of the City of St. Louis, Missouri)

Notes to Basic Financial Statements

June 30, 2008 and 2007

(Dollars in thousands)

During the year ended June 30, 2007, the airport recognized a \$76,209 loss on the sale of surplus property, which was originally acquired by the Airport for the purpose of noise mitigation and airport expansion. The cost of the land capitalized by the Airport in prior years represented all costs associated with preparing the land for its intended purpose of noise mitigation and airport expansion, including the costs of acquiring the land and returning the land to an undeveloped state. The terms of sale for the surplus land included restrictions on the use of land resulting from its proximity to the Airport. These factors resulted in a loss on the sale of surplus property.

The Federal Aviation Administration funded 80% of the original land acquisitions through Airport Improvement Program funding. As a result, the Airport obtained authorization from the Federal Aviation Administration for all sales of surplus property. The Federal Aviation Administration required that 80% of the proceeds from the sale of surplus property be restricted for activities allowable under the Airport Improvement Program. The Airport has recorded the \$8,580 of the proceeds from the sale of surplus property, plus \$363 of interest earned thereon, as net assets restricted for the Airport Improvement Program at June 30, 2007, within the accompanying balance sheet.

**(19) Risk Management**

The Airport is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Airport participates in the Public Facilities Protection Corporation (PFPC), an internal service fund of the City of St. Louis, Missouri. The purpose of PFPC is to account for risks in which the City is self-insured, primarily workers' compensation, unemployment benefits, certain general liability, and various other claims and legal actions. All self-insured claims liabilities and payments are recorded in PFPC. The Airport reimburses PFPC for workers' compensation claims on a cost-reimbursement basis. During the years ended June 30, 2008 and 2007, expenses related to the Airport's participation in PFPC amounted to \$1,387 and \$1,273, respectively, and are reflected as interfund services used in the accompanying basic financial statements. At June 30, 2008 and 2007, the Airport owed PFPC \$2,333 and \$2,122, respectively, for unreimbursed workers' compensation claims.

The Airport purchases commercial insurance for other risks it considers significant, including general liability, public officials' liability, property damage, employee honesty bond, business auto, and insurance on its fine arts. Settled claims did not exceed commercial coverage in any of the last three years.



**LAMBERT – ST. LOUIS INTERNATIONAL AIRPORT**  
(An Enterprise Fund of the City of St. Louis, Missouri)

Notes to Basic Financial Statements

June 30, 2008 and 2007

(Dollars in thousands)

**(20) Pledged PFC Revenues**

The Airport has pledged a specific revenue stream to secure the repayment of an outstanding debt issue. Pledged PFC (Passenger Facility Charge) revenues for a given year constitute that portion of the PFC revenues that equals 125% of the amount of PFC-eligible 2001 Airport Development Program (ADP) debt service due during the given fiscal year. The following table summarizes information relevant to the PFC pledged revenues for the Airport Revenue Refunding Bonds, Series 2005 as of June 30, 2008.

<b>General purpose for debt</b>	<b>Term of pledged commitment</b>	<b>Proportion of pledged revenue to revenue collected</b>	<b>Principal and interest for the year ended June 30, 2008</b>	<b>Pledged revenue recognized for the year ended June 30, 2008</b>
Land acquisition for for the construction of a new runway	Through 2031	90%	\$ 20,707 \$	25,887

As of June 30, 2008 the remaining principal and interest requirement is \$494,164, payable through July 2031. For the last two years, the proportion of pledged revenue, in the amount of \$51,771, to total PFC revenue, in the amount of \$58,017 was 90%. It can be projected that through July 2031, estimated PFC revenues in the amount of \$686,300 will be collected, of which \$617,705 will be pledged for principal and interest payments.

**(21) Subsequent Events**

On July 2, 2008, the Airport issued \$1,000 in Series 2004A Commercial Paper Notes, due September 4, 2008, at an annual interest rate of 1.65% for the purpose of financing the cost of extension, improvement, purchase, acquisition, construction or enlargement of facilities, appurtenances and equipment at the Airport.

On September 4, 2008, the Airport issued \$1,000 in Series 2004A Commercial Paper Notes, due November 6, 2008, at an annual interest rate of 1.78% for the purpose of financing the cost of extension, improvement, purchase, acquisition, construction or enlargement of facilities, appurtenances and equipment at the Airport.

On November 6, 2008, the Airport issued \$1,000 in Series 2004A Commercial Paper Notes, due January 14, 2009, at an annual interest rate of 1.30% for the purpose of financing the cost of extension, improvement, purchase, acquisition, construction or enlargement of facilities, appurtenances and equipment at the Airport.



**LAMBERT – ST. LOUIS INTERNATIONAL AIRPORT**  
(An Enterprise Fund of the City of St. Louis, Missouri)

Notes to Basic Financial Statements

June 30, 2008 and 2007

(Dollars in thousands)

For the period from June 30, 2008 through the date of this report, overall credit market conditions have deteriorated and impacted financial markets. Recent market conditions have resulted in an unusually high degree of volatility and increased the risks and short-term liquidity associated with certain investments held by the Airport which could impact the value of the investments after the date of these financial statements. Despite the market dislocation the Airport believes its investments are prudent. The average life of its operating funds is less than one year. The Airport does not expect a need to liquidate a material amount of those investments prior to their maturity in order to maintain sufficient liquidity. As a result, the Airport anticipates that maturity of those investments in the ordinary course will provide sufficient liquidity to maintain operations without reliance on the credit markets for liquidity. The Airport's management and its investment advisors are monitoring the situation closely to determine appropriate ongoing investment strategies and actions.

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**LAMBERT – ST. LOUIS INTERNATIONAL AIRPORT**  
**(An enterprise fund of the City of St. Louis, Missouri)**

Analysis of Cash and Investment Accounts

Year ended June 30, 2008

(Dollars in thousands)

	Unrestricted			Held by Trustee Bond Fund	
	Revenue Fund	Revenue Fund Subaccount	Operation and Maintenance Fund	Debt Service Account	Debt Service Reserve Account
Balance at June 30, 2007	\$ 1,495	1,647	4,620	45,183	35,998
Cash deposited with City Treasurer	148,061				
Cash receipts				1,065	1,431
Transfer in accordance with ordinance	(134,227)	5,831	87,580	63,059	(1,479)
Vouchers and requisitions paid	(13,777)		(86,258)		(195)
Bond proceeds					
Payments:					
Interest				(40,950)	
Redemption of bonds				(25,090)	
Payments to the City of 5% of gross receipts		(6,081)			
Receipts from FAA and MoDOT					
Capital appropriation					
Capital expenditures					
Balance at June 30, 2008	<u>\$ 1,552</u>	<u>1,397</u>	<u>5,942</u>	<u>43,267</u>	<u>35,755</u>

See accompanying independent auditors' report.

## Schedule I

Restricted						
Other Restricted Funds						
Renewal and Replacement Fund	Passenger Facility Charge Fund	Development Fund	Appropriated	Unappro- priated	Contingency Fund	Total
3,500	18,633	49,433	61,747	16,130	2,041	240,427
	30,514					178,575
	1,742		(49)	1,017	246	5,452
	(17,469)	(4,017)		722		—
					(169)	(100,399)
						—
						(40,950)
						(25,090)
						(6,081)
		56,348				56,348
	(4,952)	(32,918)	39,009	(1,139)		—
			(41,848)			(41,848)
<u>3,500</u>	<u>28,468</u>	<u>68,846</u>	<u>58,859</u>	<u>16,730</u>	<u>2,118</u>	<u>266,434</u>

**Schedule II**

**LAMBERT – ST. LOUIS INTERNATIONAL AIRPORT**  
**(An enterprise fund of the City of St. Louis, Missouri)**

Schedule of 1997B Revenue Refunding Bonds Payable

June 30, 2008

(Dollars in thousands)

<b>Maturity on July 1</b>	<b>Interest Rate</b>		<b>Principal Maturity</b>
2008	5.25%	\$	4,300
2009	6.00		4,530
2010	6.00		4,775
2011	6.00		5,035
2012	6.00		5,310
2013	6.00		5,605
2014	6.00		5,910
		\$	<u>35,465</u>

See accompanying independent auditors' report.

**Schedule III**

**LAMBERT – ST. LOUIS INTERNATIONAL AIRPORT**  
**(An enterprise fund of the City of St. Louis, Missouri)**

Schedule of 1998 Revenue Refunding Bonds Payable

June 30, 2008

(Dollars in thousands)

<u>Maturity on July 1</u>	<u>Interest Rate</u>		<u>Principal Maturity</u>
2008	4.00%	\$	5,145
2009	5.13		5,410
2010	5.13		5,690
2011	5.13		5,980
2012	5.13		6,295
2013	5.13		6,610
2014	5.13		6,945
2015	5.13		7,305
		\$	<u>49,380</u>

See accompanying independent auditors' report.

**LAMBERT – ST. LOUIS INTERNATIONAL AIRPORT**  
**(An enterprise fund of the City of St. Louis, Missouri)**

Schedule of 2001A Airport Revenue Bonds Payable

June 30, 2008

(Dollars in thousands)

<b>Maturity on July 1</b>	<b>Interest Rate</b>	<b>Principal Maturity</b>	<b>Interest Rate</b>	<b>Principal Maturity</b>	<b>Total Principal Maturity</b>
2008	4.25%	\$ 870	5.50%	\$ 5,180	\$ 6,050
2009	4.40	1,165	5.50	4,040	5,205
2010	4.50	1,620	5.50	5,085	6,705
2011	4.60	1,760	5.00	5,300	7,060
		<u>\$ 5,415</u>		<u>\$ 19,605</u>	<u>\$ 25,020</u>

See accompanying independent auditors' report.

**LAMBERT – ST. LOUIS INTERNATIONAL AIRPORT**  
**(An enterprise fund of the City of St. Louis, Missouri)**

Schedule of 2002 Airport Revenue Bonds Payable

June 30, 2008

(Dollars in thousands)

Maturity on July 1	2002A		2002B		2002C		Total Principal Maturity
	Interest Rate	Principal Maturity	Interest Rate	Principal Maturity	Interest Rate	Principal Maturity	
2008	—%	\$ —	5.00%	\$ 655	5.00%	\$ 910	\$ 1,565
2009	—	—	5.25	690	5.00	955	1,645
2010	—	—	5.25	725	5.25	1,000	1,725
2011	5.25	690	5.25	760	5.50	1,055	2,505
2012	5.25	1,675	4.25	800	5.50	1,110	3,585
2013	4.00	1,760	4.25	835	5.50	1,170	3,765
2014	—	—	4.00	870	5.50	1,240	2,110
2015	—	—	4.50	910	5.50	1,305	2,215
2016	—	—	4.60	950	5.50	—	950
2017	—	—	4.70	995	—	—	995
2018	—	—	4.75	1,040	—	—	1,040
2019	—	—	4.75	1,090	—	—	1,090
2020	—	—	4.88	1,145	—	—	1,145
2021	—	—	4.88	1,200	—	—	1,200
2022	—	—	5.00	1,255	—	—	1,255
2027	—	—	5.00	7,290	—	—	7,290
2032	—	—	5.00	9,305	—	—	9,305
		\$ 4,125		\$ 30,515		\$ 8,745	\$ 43,385

See accompanying independent auditors' report.



## Schedule VI

**LAMBERT – ST. LOUIS INTERNATIONAL AIRPORT**  
**(An enterprise fund of the City of St. Louis, Missouri)**

## Schedule of 2003A Revenue Refunding Bonds Payable

June 30, 2008

(Dollars in thousands)

Maturity on July 1	Discount Serial Bonds		Premium Serial Bonds		Total Principal Maturity
	Interest Rate	Principal Maturity	Interest Rate	Principal Maturity	
2008	2.80%	\$ 1,160	5.00%	\$ 3,505	\$ 4,665
2009	3.20	1,145	5.00	3,735	4,880
2010	3.50	625	5.25	4,495	5,120
2011	3.75	235	5.25	5,150	5,385
2012	3.88	190	5.25	5,485	5,675
2013	4.00	5,940	5.25	—	5,940
2014	4.00	6,185	5.25	—	6,185
2015	4.13	795	5.25	5,680	6,475
2016	4.25	125	5.25	6,690	6,815
2017	4.25	250	5.25	6,930	7,180
2018	4.30	2,555	5.25	5,000	7,555
		<u>\$ 19,205</u>		<u>\$ 46,670</u>	<u>\$ 65,875</u>

See accompanying independent auditors' report.

## Schedule VII

**LAMBERT – ST. LOUIS INTERNATIONAL AIRPORT**  
**(An enterprise fund of the City of St. Louis, Missouri)**

## Schedule of 2005 Revenue Refunding Bonds Payable

June 30, 2008

(Dollars in thousands)

<u>Maturity on July 1</u>	<u>Interest Rate</u>	<u>Principal Maturity</u>
2013	4.00%	\$ 630
2014	4.00	650
2015	5.50	15,880
2016	5.50	18,915
2017	5.50	20,075
2018	5.50	21,955
2019	5.50	21,705
2020	5.00	6,910
2021	5.00	4,765
2022	5.00	3,820
2023	5.00	2,395
2024	5.50	2,515
2025	5.50	2,655
2026	5.50	2,795
2027	5.50	24,545
2028	5.50	26,135
2029	5.50	27,570
2030	5.50	29,090
2031	5.50	30,690
		<u>\$ 263,695</u>

See accompanying independent auditors' report.

## Schedule VIII

**LAMBERT – ST. LOUIS INTERNATIONAL AIRPORT**  
**(An enterprise fund of the City of St. Louis, Missouri)**

## Schedule of 2007A Revenue Refunding Bonds Payable

June 30, 2008

(Dollars in thousands)

<u>Maturity on July 1</u>	<u>Interest Rate</u>		<u>Principal Maturity</u>
2012	5.00%	\$	8,670
2013	5.00		13,425
2014	5.00		15,675
2015	5.00		3,725
2016	5.00		2,585
2017	5.00		2,645
2018	5.00		2,410
2019	4.00		2,530
2020	5.00		18,625
2021	5.00		22,150
2022	5.00		24,335
2023	5.00		20,865
2024	4.25- 5.00		21,915
2025	5.00- 5.25		22,935
2026	5.25		24,105
2027	4.25		3,700
2028	4.25		3,855
2029	4.25		4,015
2030	4.25		4,190
2031	4.25		4,365
2032	4.25		4,555
		\$	<u>231,275</u>

See accompanying independent auditors' report.

**Schedule IX**

**LAMBERT – ST. LOUIS INTERNATIONAL AIRPORT**  
**(An enterprise fund of the City of St. Louis, Missouri)**

Schedule of 2007B Revenue Refunding Bonds Payable

June 30, 2008

(Dollars in thousands)

<u>Maturity on July 1</u>	<u>Interest Rate</u>		<u>Principal Maturity</u>
2015	5.00%	\$	6,260
2016	5.00		6,545
2017	5.00		6,850
2018	5.00		6,760
2019	5.00		7,105
2020	5.00		7,460
2021	5.00		7,830
2022	5.00		8,220
2023	5.00		8,635
2024	5.00		9,065
2025	5.00		9,520
2026	5.00		9,995
2027	5.00		10,490
		\$	<u>104,735</u>

See accompanying independent auditors' report.

**LAMBERT – ST. LOUIS INTERNATIONAL AIRPORT**  
**(An enterprise fund of the City of St. Louis, Missouri)**

Schedule of Insurance

June 30, 2008

(Dollars in thousands)

<b>Insurer</b>	<b>Amount</b>	<b>Expiration Date</b>	<b>Character of Coverage</b>
ACE USA	\$ 50,000	10/1/2008	General liability
Global Aerospace & Lloyds	300,000	10/1/2008	General liability excess
ACE USA	7,000	10/1/2009	Public official's and employee's liability
FM Global Insurance	1,000,000	10/1/2008	Property damage and business interruption
The Hartford Insurance Company	100	10/1/2008	Employee honesty bond
The Cincinnati Insurance Company	1,000	10/1/2009	Business auto and excess
Ace Fire Underwriters Insurance	46,200	9/24/2009	Tunnel property
Underwriters at Lloyd's	22,000	9/24/2009	Tunnel excess flood and earthquake
St. Paul Fire and Marine	1,360	10/1/2008	Insurance on fine arts

See accompanying independent auditors' report.

## **APPENDIX C**

### **Summary of Certain Provisions of the Indenture**

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## **Appendix C**

### **SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE**

The following is a summary of certain provisions of the Indenture of Trust dated as of October 15, 1984 between the City and the Trustee (the “Original Indenture”), which Original Indenture was amended, restated and superseded by the Amended and Restated Indenture of Trust dated as of July 1, 2009 (the “Restated Indenture”), between the City and the Trustee (the Original Indenture, as amended and restated by the Restated Indenture, and as amended and supplemented from time to time, is referred to herein as the “Indenture”). This summary does not purport to set forth all of the provisions of the Indenture and reference is made to the Indenture for its complete and actual terms. The Restated Indenture shall be adopted upon receipt by the City of the requisite consents of the Bond Insurers for the Outstanding Bonds, which consents are expected to be received on or before the closing of the Series 2009 Bonds.

#### **Definitions**

The following terms have the following meanings in the Indenture, unless a different meaning clearly appears from the context:

“2009A Construction Sub-Account” means the account by that name established pursuant to the Indenture.

“2009A Costs of Issuance Sub-Account” means the account by that name established pursuant to the Indenture.

“2009A Debt Service Reserve Sub-Account” means the account by that name established pursuant to the Indenture.

“2009A Debt Service Sub-Account” means the account by that name established pursuant to the Indenture.

“2009A Project” means the Project described in Sixteenth Supplemental Indenture

“Accountant’s Certificate” means a certificate signed by an independent certified public accountant or a firm of certified public accountants selected by the City satisfactory to the Trustee, who may be the accountant or firm of accountants who regularly audit the books of the City.

“Accrued Aggregate Debt Service” means, as of any date of calculation, an amount equal to the sum of (i) interest on the Bonds of all Series accrued and unpaid and to accrue to the end of the then current calendar month, and (ii) Principal Installments due and unpaid and that portion of the Principal Installments for all Series next due which would have accrued (if deemed to accrue in the manner set forth in the definition of Debt Service) to the end of such calendar month.

“Additional Bonds” means Bonds authenticated and delivered pursuant to the Indenture, and any Bonds thereafter authenticated and delivered in lieu of or in substitution for such Bonds pursuant to the Indenture.



“Additional Project” means the extension, improvement, purchase, acquisition, construction and enlargement of facilities, appurtenances and equipment, and the acquisition of land, for the Airport to be financed, in whole or in part, from the proceeds of Additional Bonds issued pursuant to the provisions of the Indenture.

“Adjusted Debt Service” means Debt Service, except that for any Series of Partially Amortizing Bonds it will mean Debt Service for each Fiscal Year other than the Fiscal Year in which the final maturity date of such Bonds occurs and, with respect to such Fiscal Year and each Fiscal Year thereafter through the Fiscal Year ending on the date which is the anniversary of the final maturity date of such Series next occurring before the date which is 25.5 years after their issuance, that amount which if paid in substantially equal installments in each such Fiscal Year would pay the full amount of principal of such Bonds and the interest thereon (at the Index Interest Rate) by such anniversary.

“Aggregate Adjusted Debt Service” means, as of any particular date of computation and with respect to any period, the sum of the amounts of Adjusted Debt Service for such period with respect to all Series of Bonds.

“Aggregate Debt Service” means, as of any particular date of computation and with respect to any period, the sum of the amounts of Debt Service for such period with respect to all Series of Bonds.

“Airport” means the Lambert-St. Louis International Airport owned and operated by the City, including all land owned or to be acquired by the City (by lease or otherwise) for purposes of such airport (including, without limitation, noise mitigation and clear zone purposes) and all improvements and facilities in existence and located on any such land, as said Airport may be added to, extended, improved or constructed and equipped.

“Airport Commission” means the Airport Commission of the City, or such officer, board or commission of the City who or which may be legally given the powers and duties given to the Airport Commission.

“Airport Consultant” means the airport consultant or airport consulting firm or corporation at time retained by the City pursuant to the Indenture to perform the acts and carry out the duties provided for such Airport Consultant in the Indenture.

“Airport Fiscal Year” means the twelve-month period beginning on July 1 of one year and ending on June 30 of the following year, or such other fiscal year of twelve months as may be selected by the City.

“Annual Budget” means the annual budget of the City (through the Airport Commission) for the Airport, as amended or supplemented from time to time, adopted or in effect for a particular City Fiscal Year as provided in the Indenture.

“Arbitrage Rebate Fund” means the Airport Arbitrage Rebate Fund established by the Indenture.

“Authorized Officer of the City” means the Mayor, the Comptroller or the Treasurer of the City, or any other officer or employee of the City authorized under the laws of the State, the Charter or ordinance of the City to perform specific acts or duties related to the subject matter of the authorization.

“Beneficial Owner” means as provided in Rule 13d-3 under the Securities Exchange Act of 1934, as amended.

“Bond” or “Bonds” means the Series 1984 Bonds and any Additional Bonds.

“Bond Counsel” means Edwards Angell Palmer & Dodge LLP and The Stolar Partnership LLP, or any other attorney or firm of attorneys nationally recognized on the subject of municipal bonds selected by the City and acceptable to the Trustee.

“Bond Counsel’s Opinion” means an opinion of an attorney or firm of attorneys experienced and nationally recognized in matters relating to tax-exempt financing under the Code.

“Bond Fund” means the Airport Bond Fund established by the Indenture.

“Bondholder,” “Holder of Bonds,” “Owner” or “Owner of Bonds” or any similar term, means any person who is the registered owner of any Bond or Bonds.

“Bond Insurance Policy” means the municipal bond insurance policy issued by a Bond Insurer that guarantees payment of the principal of, and interest on a series of Bonds or any portion thereof.

“Bond Insurer” means each insurance company which has insured the payment of the principal of and interest on all or any portion of the Bonds, and any successor thereto.

“Bond Registrar” means the Trustee and any other bank or trust company organized under the laws of any state or national banking association appointed by the City to perform the duties of Bond Registrar enumerated in the Indenture. The term “Bond Registrar” also includes any Co-Registrar appointed pursuant to the Indenture.

“Business Day” means any day of the year other than (a) a Saturday or Sunday or (b) a day on which banks located in New York, New York, St. Louis, Missouri or Kansas City, Missouri are required or authorized by law to remain closed.

“Capital Budget” means the capital budget of the City (through the Airport Commission) for the Airport, as amended or supplemented from time to time, adopted or in effect for a particular City Fiscal Year as provided in the Indenture.

“Charter” means the Charter of the City as in effect from time to time.

“City” means the City of St. Louis, Missouri.

“City Fiscal Year” means the twelve-month period beginning on July 1 of one year and ending on June 30 of the following year, or such other fiscal year of twelve months as may be selected by the City.

“City Held PFC Revenues” means, collectively, PFC Revenues on deposit in the Revenue Fund and PFC Revenues held by the City in the PFC Account and available to pay debt service.

“City Sub-Account” means the City Sub-Account established within the Revenue Fund in the Indenture.

“Code” means the Internal Revenue Code of 1986, as amended, and the regulations thereunder, as applicable, and any successor to such Code.

“Comptroller” means the Comptroller of the City.

“Contingency Fund” means the Airport Contingency Fund established by the Indenture.

“Construction Fund” means the Airport Construction Fund established by the Indenture.

“Consulting Engineers” means the engineer or engineering firm or corporation at the time retained by the City pursuant to the Indenture to perform the acts and carry out the duties provided for such Consulting Engineers in the Indenture.

“Cost of Construction” means, with respect to the Initial Project or an Additional Project, the City’s costs properly attributable to the construction or acquisition thereof. “Cost of Construction” will also include the Costs of Issuance of any Series of Bonds to the extent payable from the Construction Fund pursuant to the Indenture or a Supplemental Indenture.

“Cost of Issuance Account” means the Cost of Issuance Account established with respect to a Series of Bonds in accordance with the Indenture.

“Cost of Issuance” means all items of expense, directly or indirectly payable or reimbursable by or to the City and related to the authorization, sale and issuance of any Bonds including, but not limited to, printing costs, costs of preparation and reproduction of documents, filing and recording fees, initial fees and charges of any Fiduciary, legal fees and charges, fees and disbursements of consultants and professionals, costs of credit ratings, fees and charges for preparation, execution, transportation and safekeeping of Bonds, costs and expenses of refunding, premiums for the insurance of the payment of Bonds, fees payable in connection with any letter of credit securing all or a portion of the Bonds, financing charges, accrued interest with respect to the initial investment of proceeds of Bonds and any other costs, charge or fee in connection with the issuance of Bonds.

“Counsel’s Opinion” means an opinion of an attorney or firm of attorneys nationally recognized on the subject of tax-exempt municipal financings (who may be counsel to the City) selected by the City and satisfactory to the Trustee.

“Counterparty” means an entity whose senior long-term debt obligations, or whose obligations under an Interest Rate Exchange Agreement, are guaranteed by a financial institution whose senior long term debt obligations have a rating in one of the three highest categories of each of the Rating Agencies.

“Debt Service” for any period means, as of any date of calculation and with respect to any Series of Bonds, an amount equal to the sum of (i) interest accruing during such period on Bonds of such Series, except to the extent that such interest on the Bonds of such Series is to be paid from deposits (including investment income thereon) in the Debt Service Account made from Bond proceeds or other amounts available therein, and (ii) that portion of each Principal Installment for such Series of Bonds which would accrue during such period if such Principal Installment were deemed to accrue daily in equal amounts from the next preceding Principal Installment due date for such Series (or, if there will be no such preceding Principal Installment due date, from the date of issuance of such Series). Such interest and Principal Installments for such Series of Bonds shall be calculated on the assumption that no Bonds of such Series Outstanding at the date of calculation will cease to be Outstanding except by reason of the payment of each Principal Installment on the due date thereof. For the purposes of any projections required by the Indenture with respect to Variable Rate Bonds, interest will be calculated on the basis of the average interest rate or rates borne on Variable Rate Bonds Outstanding during any consecutive 12 months of the preceding 24 months, except that (i) for the purpose of satisfying the conditions for the issuance of Additional Bonds, if the Variable Rate Bonds are being issued on the date of computation, the rate of interest will be assumed to be 110% of the initial interest rate of such Bonds, and (ii) for the purpose of satisfying the Debt Service Reserve Requirement, if any, the interest rate for any Variable Rate Bonds will be computed at the average interest rate on such Bonds during the preceding Airport Fiscal Year or if not Outstanding during the preceding Airport Fiscal Year, the initial interest rate of such Bonds; provided, however, that no payments required for any Option Bonds, other Bonds or Interest Rate Exchange Agreements which may be tendered or otherwise presented for payment at the option or demand of the Owners thereof, or which may otherwise

become due by reason of any other circumstance which will not, with certainty, occur during such period, will be included in any computation of Debt Service prior to the stated or theretofore extended maturity or otherwise certain due dates thereof, and all such payments will be deemed to be required on such stated or theretofore extended maturity dates or otherwise certain due dates; and provided further, however, that if the City in a Supplemental Indenture for a Series of Bonds elects to enter into an Interest Rate Exchange Agreement and deem any payments received thereunder as Revenues, Debt Service will include any amounts payable by the City during such interest rate period pursuant to such Interest Rate Exchange Agreement (other than termination payments thereunder).

“Debt Service Account” means the Airport Debt Service Account established within the Bond Fund.

“Debt Service Reserve Account” means the Debt Service Reserve Account established within the Bond Fund.

“Debt Service Reserve Requirement” means, as of any date of calculation for the then Outstanding Bonds, unless otherwise specified in a Supplemental Indenture for a particular Series of Bonds, an amount which will equal the least of: (i) 10% of the proceeds of such Series of Bonds, (ii) 125% of the average annual debt service on such Series of Bonds or (iii) the maximum annual debt service on such Series of Bonds. Such amount for any Series of Bonds may be satisfied by a deposit of cash or a letter of credit, revolving credit agreement, standby purchase agreement, surety bond, insurance policy or similar obligation, arrangement or instrument issued by a bank, insurance company or other financial institution which provides for payment of all or a portion of the Principal Installments and/or interest due on any Series of Bonds or provides funds for the purchase of such Bonds or portions thereof, which shall be rated at the time of issuance of the applicable Series of Bonds in one of the three highest rating categories by the Rating Agencies (without giving effect to gradations within a rating category), and shall permit the full amount thereof to be drawn down at least thirty days prior to the expiration thereof, **provided, however,** that if the rating of any issuer or provider of such letter of credit, revolving credit agreement, standby purchase agreement, surety bond, insurance policy or similar obligation, arrangement or instrument is thereafter downgraded below the fourth highest rating category (without giving effect to gradations within a rating category) by any of the Rating Agencies, then, upon notice of such downgrade to the City from the Trustee, a deficiency shall exist in the Debt Service Reserve Account in the amount of such downgraded letter of credit, revolving credit agreement, standby purchase agreement, surety bond, insurance policy or similar obligation, arrangement or instrument, which amount shall be replenished as set forth in the Indenture or by the deposit of cash or a substitute letter of credit, revolving credit agreement, standby purchase agreement, surety bond, insurance policy or similar obligation, arrangement or instrument issued by a bank, insurance company or other financial institution which shall be rated in one of the three highest rating categories by the Rating Agencies at the time of deposit (without giving effect to gradations within a rating category). A Supplemental Indenture for a Series of Bonds may specify that the Debt Service Reserve Requirement may be satisfied either at the closing date for such Series of Bonds or by depositing such requirement over time from Revenues monthly in substantially equal amounts which time period will not exceed sixty months from the closing date for such Series; alternatively, a Supplemental Indenture for a Series of Bonds may specify that such Series of Bonds will not have a Debt Service Reserve Requirement, in which event such Series of Bonds will not be entitled to a lien on such account.

“Debt Service Stabilization Fund” means the Airport Debt Service Stabilization Fund established by the Indenture.

“Debt Service Stabilization Fund Requirement” means an amount equal to 35% of the maximum annual Debt Service on the Bonds due in the then current or any future Airport Fiscal Year, subject to the provisions of the Indenture.

“Depository” means any bank or trust company qualified under the Indenture, selected by the City pursuant to this Indenture and approved in writing by the Trustee as a depository of moneys and securities held under the provisions of this Indenture and shall include the Trustee.

“Development Fund” means the Airport Development Fund established by the Indenture.

“Director of Airports” means the Director of Airports of the City or such officer of the City who hereafter may be given the powers and duties currently given to the Director of Airports.

“DTC” means The Depository Trust Company, New York, New York, a limited purpose trust company organized under the New York Banking Law, as amended, a “banking organization” within the meaning of the New York Banking Law, as amended, a member of the Federal Reserve System, a “clearing corporation,” within the meaning of the New York Uniform Commercial Code, as amended, and a “clearing agency” registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934, as amended, and its successors and assigns.

“Event of Default” will have the meaning given to such term in the Indenture.

“FAA” means the Federal Aviation Administration, or the successor to its powers and authority.

“Fiduciary” means the Trustee, the Registrar and any Paying Agent, or any or all of them as may be appropriate.

“Fitch” means Fitch Ratings, Inc.

“GARB Revenues” means all revenues collected by the City relating to, from or with respect to its possession, management, supervision, operation and control of the Airport, including all rates, charges, landing fees, rentals, use charges, concession revenues, revenues from the sale of services, supplies or other commodities, any investment income realized from the investment of amounts in the Revenue Fund, and any other amounts deposited into the Revenue Fund. GARB Revenues do not include: (a) any revenue or income from any Special Facilities, except ground rentals therefor or any payments made to the City in lieu of such ground rentals and the revenue or income from Special Facilities which are not pledged to the payment of Special Facilities Indebtedness, (b) any moneys received as grants, appropriations or gifts from the United States of America, the State or other sources, the use of which is limited by the grantor or donor to the planning or the construction of capital improvements, including land acquisition, for the Airport, except to the extent any such moneys will be received as payment for the use of the Airport, (c) any Bond proceeds and other money (including investment earnings) credited to the Construction Fund for the financing of capital improvements to the Airport, (d) any interest earnings or other gain from investment of moneys or securities in any escrow or similar account pledged to the payment of any obligations therein specified in connection with the issuance of Refunding Bonds or the defeasance of any Series of Bonds in accordance with the Indenture, (e) any consideration received by the City upon transfer of the Airport pursuant to the Indenture, (f) interest income on, and any profit realized from, the investment of moneys in (i) the Construction Fund or any other construction fund funded from proceeds of Bonds or (ii) the Debt Service Account or the Debt Service Reserve Account if and to the extent there is any deficiency therein, (g) any passenger facility charge or similar charge levied by or on behalf of the Airport against passengers or cargo, including any income or earnings thereon, (h) insurance proceeds which are not deemed to be GARB Revenues in accordance with generally accepted accounting principles (other than proceeds that provide for lost revenue to the Airport for business interruption or business loss), (i) the proceeds of any condemnation or eminent domain award, (j) the proceeds of any sale of land, buildings or equipment, (k) any money received by or for the account of the Airport from the levy of taxes upon any property in the

City, and (1) amounts payable to the City under an Interest Rate Exchange Agreement unless and to the extent designated as Revenues by the City in a Supplemental Indenture.

“Government Securities” means any securities described in clauses (i) and (vii) of the definition of “Investment Securities” provided that such reference shall be to clauses (1) and (10) of the proviso to such definition so long as such proviso shall apply.

“Indenture” means the Original Indenture, as amended and restated by the Restated Indenture, as supplemented and amended, authorizing Airport Revenue Bonds of the City, as the same may from time to time be amended or supplemented by a Supplemental Indenture in accordance with the terms of the Indenture.

“Index Interest Rate” means the per annum interest rate set forth in the most recently issued Revenue Bond Index published by The Bond Buyer or, in the event such Index is no longer published, in such comparable index selected by the Trustee.

“Initial Project” means the capital project financed or refinanced with the proceeds of the Series 1984 Bonds.

“Insurance Consultant” means an insurance consultant or other expert (and may include the Airport Consultant) having expert knowledge and skill with respect to the scope and amounts of insurance coverages appropriate for airport facilities similar to the Airport.

“Interest Payment Date” means January 1 and July 1 of each year beginning January 1, 2010.

“Interest Rate Exchange Agreement” means and includes any financial arrangement (i) that is entered into by the City with an entity that is a Counterparty; (ii) which provides that the City will pay to such Counterparty an amount based either on the principal amount or the notional amount equal to the principal amount of all or a portion of a Series of Bonds, and that such Counterparty will pay to the City an amount based on the principal amount of such Series of Bonds, in each case computed in accordance with a formula set forth in such Interest Rate Exchange Agreement, or that one will pay to the other any net amount due under such arrangement; or that the City will be paid by the Counterparty an amount, based either on the principal amount or a notional amount equal to the principal amount of all or any portion of the Variable Rate Bonds of such Series, if the interest rate on such Series of Variable Rate Bonds exceeds a previously agreed upon rate, and/or the City will pay to the Counterparty an amount, based on a notional amount equal to the principal amount of all or any portion of the Variable Rate Bonds of such Series, if the interest rate on such Series of Variable Rate Bonds is less than a previously agreed upon rate; (iii) which has been designated in writing to the Trustee by an Authorized City Representative as an Interest Rate Exchange Agreement with respect to a Series of Bonds and (iv) which, in the opinion of Bond Counsel, will not adversely affect the exclusion of interest on Bonds from gross income for the purposes of federal income taxation.

“Investment Securities” means and includes, unless otherwise specified in a Supplemental Indenture, any of the following obligations, to the extent the same are at the time legal for investment of funds of the City, or under other applicable law: (i) any bonds or other obligations which as to principal and interest constitute direct obligations of, or the full and timely payment of the principal of and interest on which are unconditionally guaranteed by, the United States of America, including obligations of any federal agency to the extent the full and timely payment of the principal of and interest on such obligations are unconditionally guaranteed by the United States of America; (ii) senior debt obligations and mortgage-backed securities issued by Federal Land Banks, Export-Import Bank of the United States, Federal Financing Bank, FNMA (excluding stripped mortgage securities which are purchased at prices exceeding



their principal amount), FHLMC (excluding stripped mortgage securities which are purchased at prices exceeding their principal amount), Farmers Home Administration, Federal Housing Administration, Private Export Funding Corporation, Federal Farm Credit System and senior debt obligations and letter of credit-backed issues issued by the Student Loan Marketing Association; (iii) time deposits, certificates of deposit or any other deposit with a bank, trust company, national banking association, savings bank, federal mutual savings bank, savings and loan association, federal savings and loan association or any other institution chartered or licensed by any state or the U.S. Comptroller of the Currency to accept deposits in such state (“deposits” meaning obligations evidencing deposit liability which rank at least on a parity with the claims of general creditors in liquidation), which are (a) fully secured by direct obligations of the United States having a market value (exclusive of accrued interest) which will meet the over-collateralization levels and meet the criteria required by each Rating Agency to maintain the rating on the Bonds or (b) secured to the extent, if any, required by each Rating Agency and made with an institution whose debt securities are rated at least equal to the then current rating on the Bonds (or equivalent rating of short-term obligations if the investment is for a period not exceeding one year) by each Rating Agency; (iv) repurchase agreements backed by or related to obligations described in (i) or (ii) above with any institution which will not adversely affect the then current rating on the Bonds by each Rating Agency; (v) investment agreements, secured or unsecured as required by each Rating Agency, with any institution which will not adversely affect the then current rating on the Bonds by each Rating Agency; (vi) if rated at a level which will not adversely affect the then current rating on the Bonds by each Rating Agency, direct and general obligations of or obligations guaranteed by any state or possession of the United States or the District of Columbia, to the payment of the principal of and interest on which the full faith and credit of such state, possession or District of Columbia is pledged; (vii) pre-refunded municipal obligations rated in the highest rating category by each Rating Agency and meeting the following conditions (a) such obligations are: (A) not subject to redemption prior to maturity or the Trustee has been given irrevocable instructions concerning their calling and redemption, and (B) the issuer of such obligations has covenanted not to redeem such obligations other than as set forth in such instructions, (b) such obligations are secured by Investment Securities described in clause (i) above that may be applied only to interest, principal and premium payments of such obligations, and (c) the principal of and interest on such Investment Securities described in clause (i) above (plus any cash in the escrow fund with respect to such pre-refunded obligations) are sufficient to meet the liabilities of the obligations; (viii) interest-bearing notes issued by a bank having combined capital and surplus of at least \$500,000,000 whose senior debt is rated in the highest rating category by each Rating Agency; (ix) tax-exempt revenue bond obligations of a state, municipality or governmental unit rated at least “AA” by each Rating Agency; (x) money market funds registered under the Investment Company Act of 1940, as amended (the “1940 Act”) or shares of a diversified open-end management investment company, as defined in the 1940 Act, whose shares are registered under the Securities Act of 1933, as amended, which invests only in securities of the type described in clause (i) or (ii) above and having the highest possible rating from each Rating Agency; (xi) Eurodollar time deposits issued by a bank with a deposit rating in one of the two highest short-term deposit rating categories by each Rating Agency; (xii) long-term or medium-term corporate debt guaranteed by any corporation that is rated in one of the three highest rating categories by each Rating Agency; (xiii) short-term corporate debt including commercial paper which is rated in the highest short-term rating category by each Rating Agency; and (xiv) public housing bonds issued by public agencies which are either (a) fully guaranteed by the United States of America, or (b) temporary notes, preliminary loan notes or project notes secured by a requisition or payment agreement with the United States of America, or (c) state or public agency or municipality obligations rated in the highest credit rating category by each Rating Agency; provided that it is expressly understood that the definition of Investment Securities will be, and be deemed to be, expanded, or new definitions and related provisions will be added to the Indenture, thus permitting investments with different characteristics from those permitted which the City deems from time to time to be in the interest of the City to include as Investment Securities, if at the time of inclusion such inclusion will not, in and of itself, adversely affect the then current rating on the Bonds. Investment Securities must be limited to those instruments that have a predetermined fixed dollar amount of principal

due at maturity that cannot vary or change, and if the obligation is rated, it should not have an 'r' highlighter affixed to its rating.

"Moody's" means Moody's Investors Service, Inc.

"Net Revenues" means Revenues less Operation and Maintenance Expenses.

"Operation and Maintenance Expenses" means the City's expenses for operation, maintenance, repairs, ordinary replacement and ordinary reconstruction of the Airport, including a reasonable reserve for uncollectible Revenues, and will include, without limitation, administrative and overhead expenses, insurance premiums, deposits for self-insurance, legal, engineering, consulting, accounting or other professional service expenses, union contributions, payments to pension, retirement, group life insurance, health and hospitalization funds, or other employee benefit funds, costs of rentals of equipment or other personal property, costs of rentals of real property, costs incurred in collecting and attempting to collect any sums due the City in connection with the operation of the Airport, and any other expenses required to be paid by the City under the provisions of the Indenture or by laws or consistent with standard practices for airports similar to the properties and business of the Airport and applicable in the circumstances, including, without limitation, an allocable share of administrative personnel costs incurred by the City at locations other than the Airport in connection with the operations of the Airport, and the expenses, liabilities and compensation of the fiduciaries required to be paid under the Indenture, all to the extent properly attributable to the Airport. "Operation and Maintenance Expenses" will not include any capital development cost or any allowance for depreciation or any operation or maintenance costs for Special Facilities where the lessee is obligated under its Special Facilities lease to pay such expenses.

"Operation and Maintenance Fund" means the Airport Operation and Maintenance Fund established by the Indenture.

"Option Bonds" means Bonds which by their terms may be tendered for payment by and at the option of the Owners thereof prior to the stated maturity thereof, or the maturities of which may be extended at the option of the Owners thereof.

"Original Indenture" means the Indenture of Trust dated as of October 15, 1984, between the City and Mercantile Trust Company, National Association, predecessor in interest to the Trustee.

"Outstanding" or "outstanding", when used with reference to Bonds, means as of a particular date, all Bonds theretofore and thereupon being authenticated and delivered under the Indenture except as otherwise provided therein.

"Partially Amortizing Bonds" will mean a Series of Bonds providing for principal payments such that: (i) the principal and interest coming due in the final year exceeds by more than 25% the amount coming due in any prior year; and (ii) the principal amount payable in the year ending on the final maturity date of such Series will not exceed the lesser of (a) 75% of the original principal amount of such Series or (b) the amount that would have been Outstanding on the day prior to the final maturity date of such Bonds if the Bonds of such Series had required level debt service payments (with interest payable at the Index Interest Rate) over the period beginning on the first principal payment date of such Series and ending on the anniversary of the final maturity date of such Series next occurring before the date which is 25.5 years after their issuance.

"Paying Agent" or "Paying Agents" means the Trustee or any other bank or banks or trust company or trust companies designated by the City as paying agent for the Bonds of any Series, and its successor or successors hereafter appointed in the manner provided in the Indenture.



“PFC Account” means the Airport PFC Account established by the Indenture and held by the City.

“PFC Act” means the Aviation Safety and Capacity Expansion Act of 1990, Pub. L. 101-508, Title IX, Subtitle B, §§ 9110 and 9111, recodified as 49 U.S.C. § 40117, as amended from time to time.

“PFC-Eligible Debt Service” means, for any PFC Year, the debt service on Bonds the proceeds of which were used to finance PFC-Eligible Projects.

“PFC-Eligible Projects” means any projects that (i) are approved by the FAA for the imposition of PFC Revenues and (ii) are designated by the City as “PFC-Eligible Projects” pursuant to a Supplemental Indenture for the purpose of including the debt service thereon in the definition of PFC-Eligible Debt Service.

“PFC Revenues” means the PFCs remitted to the City as a result of enplanements at the Airport, including any interest earned thereon.

“PFCs” means the passenger facility charges imposed at the Airport from time to time pursuant to the PFC Act, the regulations thereunder and any record of decision of the FAA relating to passenger facility charges.

“PFC Year” means each one-year period from July 2 of a calendar year through and including July 1 of the succeeding calendar year.

“Pledged PFC Revenues” means the portion of PFC Revenues that has been pledged to the payment of the Bonds pursuant to the terms of a Supplemental Indenture with respect PFC-Eligible Projects which have been financed by proceeds of Bonds.

“Principal Installment” means, as of the date of calculation and with respect to any Series of Bonds, so long as any Bonds thereof are Outstanding, (i) the principal amount of Bonds of such Series due on a certain future date for which no Sinking Fund Installments have been established, or (ii) the unsatisfied balance (determined as provided in the Indenture) of any Sinking Fund Installments due on a certain future date for Bonds of such Series, plus the amount of the sinking fund redemption premiums, if any, which would be applicable upon redemption of such Bonds on such future date in a principal amount equal to said unsatisfied balance of such Sinking Fund Installments, or (iii) if such future dates coincide as to different Bonds of such Series, the sum of such principal amounts of Bonds and of such unsatisfied balances of Sinking Fund Installments due on such future date plus such applicable redemption premiums, if any.

“Principal Payment Date” means July 1 of each year.

“Rating Agency” or “Rating Agencies” means, with respect to the Bonds or any Series of Bonds, Moody’s, S&P and Fitch, to the extent that any of such rating services have issued a credit rating on the Bonds which is in effect at the time in question or, upon discontinuance of any of such rating services, such other nationally recognized rating service or services, if any, which has issued a credit rating on the Bonds at the request of the City and such credit rating is in effect at the time in question.

“Rebate Amount” means the amount required to be paid to the United States under Section 148(f) of the Code.

“Record Date” means the 15<sup>th</sup> day of the month (whether or not a Business Day) preceding an Interest Payment Date.

“Renewal and Replacement Fund” means the Airport Renewal and Replacement Fund established by the Indenture.

“Restated Indenture” means the Amended and Restated Indenture of Trust between the City and the Trustee dated as of July 1, 2009.

“Revenue Fund” means the Airport Revenue Fund established by the Indenture.

“Revenues” means, collectively, GARB Revenues, the Pledged PFC Revenues and any other available moneys deposited in the Revenue Fund.

“S&P” means Standard & Poor’s Ratings Services.

“Series” means all Bonds of a designated series authenticated and delivered on original issuance in a simultaneous transaction, and any Bonds thereafter authenticated and delivered in lieu of or in substitution for such Bonds pursuant to the Indenture regardless of variations in maturity, interest rate, Sinking Fund Installments or other provisions.

“Series 1984 Bonds” means the Airport Revenue Bonds, Series 1984, Lambert St. Louis International Airport authorized to be issued pursuant to Article II of the Original Indenture to finance costs of the Initial Project.

“Series 2009A Bonds” means the Airport Revenue Bonds, Series 2009A-1 (Lambert-St. Louis International Airport) and Airport Revenue Bonds, Series 2009A-2 (Lambert-St. Louis International Airport).

“Series 2009A-1 Bonds” means the Airport Revenue Bonds, Series 2009A-1 (Lambert-St. Louis International Airport).

“Series 2009A-2 Bonds” means the Airport Revenue Bonds, Series 2009A-2 (Lambert-St. Louis International Airport).

“Series 2009A Redemption Price” means with respect to any Series 2009A Bond, the amount payable upon redemption thereof pursuant to the Sixteenth Supplemental Indenture.

“Sinking Fund Installment” means an amount so designated which is established pursuant to the Indenture.

“Special Facilities” means those capital improvements or facilities acquired or constructed after the date of the Original Indenture and described in the Indenture.

“Special Facilities Indebtedness” means any indebtedness issued by the City or any other public corporation or public instrumentality to finance Special Facilities in accordance with the Special Facilities covenant, described in the Indenture.

“State” means the State of Missouri.

“Subordinated Indebtedness” means any evidence of debt referred to in, and complying with the provisions of the Indenture.

“Supplemental Indenture” means any indenture of the City amending or supplementing the Indenture and adopted and becoming effective in accordance with the terms of the Indenture.

“Tax Certificate” means, with respect to a Series of Bonds, the Tax Certificate as to Arbitrage and the Provisions of Sections 141-150 of the Code, or any similar tax compliance agreement, of the City to evidence compliance with the provisions of Sections 141 through 150 of the Code.

“Tax-Exempt Bonds” means Bonds the interest on which at the time of their original issuance was, in Bond Counsel’s Opinion, exempt from federal income taxation or excluded from gross income for federal income tax purposes under the Code.

“Treasurer” means the Treasurer of the City.

“Trustee” means UMB Bank, N.A., as successor to Mercantile Trust Company National Association, and its successor or successors and any other corporation which may at any time be substituted in its place pursuant to the Indenture.

“Trust Estate” means (i) the proceeds of the sale of the Series 2009 Bonds; (ii) Revenues; and (iii) all funds established by the Indenture, including the investments, if any, thereof; (iv) all other property of every name and nature from time to time mortgaged, pledged or hypothecated as and for additional security under the Indenture by the City, or by anyone on its behalf or with its written consent, in favor of the Trustee, which is authorized to receive all such property at any time and to hold and apply the same subject to the terms of the Indenture; and (v) all proceeds of any of the foregoing.

“Underwriters” means those underwriters identified in the Bond Purchase Agreement relating to the sale, purchase and delivery of the Series 2009 Bonds.

“Use Agreements” means the commercial airlines/airport use agreements between the principal certificated air carriers and the City, as amended from time to time.

“Variable Rate Bond” means any Bond the rate of interest on which is subject to change prior to maturity and cannot be determined in advance of such change.

## **Issuance of Bonds**

The Indenture authorizes the issuance of one or more series of Bonds to be designated as “Airport Revenue Bonds,” which may be issued in one or more series as provided in the Indenture. Each such series of Bonds be designated as “Airport Revenue Bonds” and will include such further appropriate designation as the City shall determine to distinguish the Bonds of such Series from the Bonds of all other Series.

The Indenture authorizes the issuance of one or more Series of Additional Bonds for the purpose of paying the Cost of Construction of the completion of the Additional Project and all or a portion of the Cost of Construction of any Additional Project. The issuance of Additional Bonds is subject to certain conditions and tests, including, but not limited to:

(1) An Accountant’s Certificate setting forth (a) for any period of 12 consecutive calendar months out of the 18 calendar months next preceding the authentication and delivery of such Series, the Net Revenues for such 12-month period, and (b) the Aggregate Adjusted Debt Service for such 12-month period, and demonstrating that for such 12-month period Net Revenues equaled at least 1.25 times the Aggregate Adjusted Debt Service;

(2) A certificate of the Consulting Engineers setting forth (a) the estimated date of completion for the Additional Project for which such Series of Additional Bonds is being issued, and (b) an estimate of the Cost of Construction of such Additional Project;

(3) A certificate of the Airport Consultant setting forth each of the three Airport Fiscal Years following the Airport Fiscal Year in which the Consulting Engineers estimate such Additional Project will be completed, estimates of (a) Net Revenues and (b) amounts to be deposited from Revenues into the Debt Service Reserve Account, the Renewal and Replacement Fund and the Development Fund;

(4) A certificate of an Authorized Officer of the City setting forth (a) the estimates of Net Revenues, as set forth in the certificate of the Airport Consultant pursuant to paragraph (3) above, for each of the three Airport Fiscal Years following the Airport Fiscal Year in which it is estimated that such Additional Project will be completed, (b) the estimates of the amounts to be deposited in certain funds and accounts from Revenues as set forth in the certificate of the Airport Consultant pursuant to paragraph (3) above, for each of the three Airport Fiscal Years following the Airport Fiscal Year in which it is estimated that such Additional Project will be completed, and (c) the Aggregate Adjusted Debt Service, determined after giving effect to the issuance of such Additional Bonds and including the Aggregate Debt Service, as estimated by such Authorized Officer, with respect to future Series of Bonds, if any, which such Authorized Officer shall estimate (based on the estimate of the Consulting Engineers of the Cost of Construction for such Additional Project utilizing the Index Interest Rate) will be required to complete payment of the Cost of Construction of such Additional Project, and demonstrating that the estimated Net Revenues in each of the Airport Fiscal Years set forth in (a) above is at least equal to 1.25 times Aggregate Adjusted Debt Service for the corresponding Airport Fiscal Year determined as described in (c) above; and

(5) A Bond Counsel's Opinion to the effect that the issuance and sale of such Additional Bonds and the application of the proceeds thereof in accordance with the terms of the Supplemental Indenture authorizing such Bonds will not adversely affect the tax-exempt status of any Bonds outstanding immediately prior to the issuance of such Additional Bonds.

The proceeds, including accrued interest, of the Additional Bonds of each Series are to be applied simultaneously with the delivery of such Bonds in accordance with the Supplemental Indenture authorizing such Bonds.

The amount of Pledged PFC Revenues that may be counted for the purpose of meeting the Additional Bonds Test pursuant to the Indenture for any Airport Fiscal Year may not exceed 125% of the sum of the outstanding and proposed PFC-Eligible Debt Service for such Airport Fiscal Year.

### **Refunding Bonds**

The Indenture authorizes the issuance of one or more Series of Refunding Bonds for the purpose of refunding all or a portion of the principal and/or interest components of (i) any Outstanding Bonds, (ii) any Subordinated Indebtedness, (iii) any Special Facilities Indebtedness, or (iv) any other indebtedness issued for Airport purposes. Refunding Bonds are to be issued in a principal amount sufficient, together with other moneys available therefor, to accomplish such refunding and to make the deposits in the Funds under the Indenture required by the provisions of the Supplemental Indenture authorizing such Bonds.

Refunding Bonds of each Series issued to refund one or more Series of Outstanding Bonds or one or more maturities within a Series are to be authenticated and delivered by the Trustee only upon receipt by it from the City (in addition to the documents and moneys required by the Indenture) of:

(1) Irrevocable instruction to the Trustee, satisfactory to it, to give due notice of redemption of all Bonds to be redeemed, if any, on a redemption date specified in such instructions;

(2) If the Bonds to be refunded are not by their terms subject to redemption within the next succeeding 60 days, irrevocable instructions to the Trustee, satisfactory to it, to mail the notice provided for in the Indenture to the Owners of the Bonds being refunded;

(3) Either (a) moneys in an amount sufficient to effect payment at the applicable Redemption Price of the Bonds to be refunded, together with accrued interest on such Bonds to the redemption date, which moneys are to be held by the Trustee or any one or more of the Paying Agents in a separate account irrevocably in trust for and assigned to the respective Owners of the Bonds to be refunded, or (b) Government Securities in such principal amounts, of such maturities, bearing such interest, and otherwise having such terms and qualifications, as are necessary to comply with the provisions of the Indenture and any moneys required pursuant to the Indenture, which Government Securities and moneys are to be held in trust and used only as provided in the Indenture; and

(4) Either of the following: (a) a certificate of an Authorized Officer of the City setting forth (i) the Aggregate Debt Service and the Aggregate Adjusted Debt Service for the then current and each future Airport Fiscal Year to and including the Airport Fiscal Year next preceding the date of the latest maturity of any Bonds of any Series then Outstanding (X) with respect to the Bonds of all Series Outstanding immediately prior to the date of authentication and delivery of such Refunding Bonds, and (Y) with respect to the Bonds of all Series to be Outstanding immediately thereafter, and (ii) that the Aggregate Debt Service and the Aggregate Adjusted Debt Service set forth for each Airport Fiscal Year pursuant to (Y) above are no greater than the corresponding amounts set forth for such Airport Fiscal Year pursuant to (X) above; or (b) the certificates required by the Indenture evidencing that such Series of Refunding Bonds meets the tests provided for by the Indenture considering, for all purposes of such certificates and tests, that such Series of Refunding Bonds is a Series of Additional Bonds, provided that, for such purpose, the estimated date of completion for the Additional Project being refinanced by such Series of Refunding Bonds shall be the later of (i) the date of issuance of such Series of Refunding Bonds or (ii) the then estimated completion date for the Additional Project being refinanced having the latest estimated completion date.

The proceeds, including accrued interest, of the Refunding Bonds of each such Series shall be applied simultaneously with the delivery of such Bonds for the purpose of making deposits in such Funds and Accounts under the Indenture as shall be provided in the Supplemental Indenture authorizing such Bonds and is to be applied to the refunding purposes thereof in the manner provided in said Supplemental Indenture.

#### **Pledge Effected by the Indenture**

The Bonds are secured by a pledge of, and the Bondholders are granted an express lien on (i) the proceeds of sale of the Bonds, (ii) Revenues, and (iii) all Funds established by the Indenture, including the investments, if any, thereof.

## **Pledged PFC Revenues**

Pledged PFC Revenues for a given PFC Year constitute that portion of the PFC Revenues that, for such PFC Year, equals 125% of the amount of PFC-Eligible Debt Service due during such PFC Year. Pursuant to the Indenture, the City has pledged the Pledged PFC Revenues for the benefit of the Owners of the Bonds. The City will not create a lien on Pledged PFC Revenues that is senior to the lien of the Bonds. The City may, at any time with the execution and delivery of a Supplemental Indenture, submit additional PFC Revenues to the pledge of the Indenture.

## **Elimination of or Decrease in the Amount of Pledged PFC Revenues**

The City may decrease the amount of Pledged PFC Revenues pledged to the Bonds, or eliminate the pledge of the Pledged PFC Revenues to the Bonds, upon receipt by the Trustee from the City of both of the following:

(i) A certificate of the Airport Consultant setting forth for each of three Airport Fiscal Years following the Airport Fiscal Year in which the pledge of the Pledged PFC Revenues will be decreased or eliminated, estimates of (A) Net Revenues (as adjusted to reflect the reduction or elimination of Pledged PFC Revenues), (B) the Aggregate Adjusted Debt Service (determined after giving effect to any Additional Bonds to be issued on or before the date of decrease or elimination of such pledge), and (C) demonstrating that the estimated Net Revenues set forth in (A) are at least equal to 1.25 times Aggregate Adjusted Debt Service for the corresponding Airport Fiscal Years determined as set forth in (B) above; and

(ii) An opinion of Bond Counsel to the effect that all conditions precedent to the decrease or elimination of the Pledged PFC Revenues have been met and such decrease or elimination will not adversely affect exclusion from gross income for federal income tax purposes of the interest on any Outstanding Bonds.

## **Establishment of Funds**

The Indenture establishes the following Funds relating to the Series 2009 Bonds:

(A) Airport Construction Fund, to be held by the City, including the (i) 2009A Airport Construction Sub-Account, and (ii) 2009A Costs of Issuance Sub-Account;

(B) Airport Revenue Fund, including the City Sub-Account therein, to be held by the City;

(C) Airport Operation and Maintenance Fund, to be held by the City;

(D) Airport Bond Fund held by the Trustee, including the (i) 2009A Debt Service Sub-Account of the Debt Service Account, and (ii) 2009A Debt Service Reserve Sub-Account of the Debt Service Account;

(E) Airport Renewal and Replacement Fund, to be held by the City;

(F) Airport Debt Service Stabilization Fund, to be held by the City;

(G) Airport Development Fund, to be held by the City;



- (H) Airport Contingency Fund, to be held by the City;
- (I) Arbitrage Rebate Fund, to be held by the City; and
- (J) Airport PFC Account, to be held by the City.

### **Application of Revenues**

*General.* All Revenues as received are to be promptly deposited by the City into the Revenue Fund. As soon as practicable in each month after the deposit of Revenues in the Revenue Fund but in any case no later than five (5) Business Days before the end of each month, the City is required to withdraw from the Revenue Fund for deposit in the following Funds in the following order of priority the amounts set forth below:

(1) To the Operation and Maintenance Fund, an amount sufficient to pay the estimated Operation and Maintenance Expenses during the next month;

(2) To the Bond Fund for credit to the Debt Service Account, if and to the extent required so that the balance in said Account will equal the Accrued Aggregate Debt Service on the Bonds; provided that, for the purpose of computing the amount in said Account, there is to be excluded the amount, if any, set aside in said Account which was deposited therein from the proceeds of each Series of Bonds less the amount of interest accrued and unpaid and to accrue on the Bonds of such Series (or any Refunding Bonds issued to refund such Bonds) to the last day of the then current calendar month;

(3) To the Bond Fund for credit to the Debt Service Reserve Account, an amount sufficient to maintain a balance in such Account equal to the Debt Service Reserve Requirement; provided, however, that no deposit in the Debt Service Reserve Account will be required to the extent the amount therein equals or exceeds the Debt Service Reserve Requirement and in the event the amount in the Debt Service Reserve Account is reduced below the amount otherwise required therein, such amount will be replenished (i) immediately, first from any funds in the Sub-Account and, thereafter, from other available funds, in such priority as the City may direct in the Contingency Fund, the Development Fund and the Renewal and Replacement Fund and (ii) at the earliest practicable date, to the extent such funds are not sufficient for such purpose, from the first available Revenues (after all deposits required to be made pursuant to clauses (1) and (2) described above have been made) following such reduction; provided, however, that notwithstanding anything to the contrary in the Indenture, to the extent that a deficiency exists in the Debt Service Reserve Account, such deposits to the Bond Fund will be made in the order of priority indicated:

(a) To the Bond Fund for credit to the Debt Service Reserve Account, there will be deposited, at least monthly, to the Debt Service Reserve Account for a Series of Bonds an amount at least equal to 1/60 of the Debt Service Requirement for such Series of Bonds until the amount on deposit in the Debt Service Reserve Account will equal the Debt Service Reserve Requirement. The Debt Service Reserve Requirement will be cumulative and the amount of any deficiency in any month will be added to the amount otherwise required to be deposited to the credit of such Debt Service Reserve Account in each month thereafter until such time as such deficiency will be remedied;

(b) To the Bond Fund for credit to the Debt Service Reserve Account, there will be deposited, at least monthly to the Debt Service Reserve Account for a Series of

Bonds an amount equal to 1/12 of the deficiency attributed to a draw (or diminution in stated principal) upon a financial instrument as specified in the definition of Debt Service Reserve Requirement, deposited into the Debt Service Reserve Account until the principal amount (or available amount) of such financial instrument, either singularly, or in combination with amounts on deposit therein, is equal to the Debt Service Reserve Requirement if and only if such amounts are attributable to such Series of Bonds; and

(c) To the Bond Fund for credit to the Debt Service Reserve Account, there will be deposited to the Debt Service Reserve Account as soon as practicable (but not later than thirty days from the date of such deficiency), the full amount of any deficiency in the Debt Service Reserve Account, which is attributable to a decline in the market value of Investment Securities on deposit therein until such Investment Securities and any cash therein will equal the Debt Service Reserve Requirement.

(4) To the Arbitrage Rebate Fund, there shall be deposited as soon as practicable, the amount necessary to fund the Arbitrage Rebate Fund in order to pay the Rebate Amount when due and payable;

(5) Amounts sufficient to pay Subordinated Indebtedness in accordance with the authorizing and implementing documents for such Subordinated Indebtedness (as certified by the trustee or other fiduciary with respect to such Subordinated Indebtedness) shall be transferred by the City to such trustee or other fiduciary for payment or deposit;

(6) To the Renewal and Replacement Fund, an amount equal to Fifty Seven Thousand Dollars (\$57,000); provided that, no deposit will be required to be made into said Fund whenever and as long as uncommitted moneys in said Fund are equal to or greater than Three Million Five Hundred Thousand Dollars (\$3,500,000) or such larger amount as the City will determine necessary, from time to time, for the purposes of said Fund; and provided further that, if any such monthly allocation to said Fund will be less than the required amount, the amount of the next succeeding monthly payments will be increased by the amount of such deficiency;

(7) To the City Sub-Account, an amount determined from time to time by the City, such that if deposits were made in amounts equal to such amount in each succeeding month during each Airport Fiscal Year, the balance in such Sub-Account will equal at the end of such Airport Fiscal Year the amounts payable to the City with respect to such Airport Fiscal Year pursuant to the Indenture;

(8) For Airport Fiscal Years ending June 30, 2006 through June 30, 2011, to the Debt Service Stabilization Fund and the Development Fund for the times and in the amounts and pursuant to the calculations set forth below:

(a) For Airport Fiscal Year ending June 30, 2006, to the Debt Service Stabilization Fund and the Development Fund a total of up to \$5,468,000, with 90.13% of each such transfer to the Debt Service Stabilization Fund and 9.87% of each such transfer to the Development Fund;

(b) For Airport Fiscal Year ending June 30, 2007, as follows:

(i) To the Debt Service Stabilization Fund any amounts withdrawn therefrom during Airport Fiscal



Year ending June 30, 2006 and not previously replenished; and then

(ii) To the Debt Service Stabilization Fund and the Development Fund a total of up to \$6,475,000, with 90.18% of each such transfer to the Debt Service Stabilization Fund and 9.82% of each such transfer to the Development Fund;

(c) For Airport Fiscal Year ending June 30, 2008, as follows:

(i) To the Debt Service Stabilization Fund any amounts withdrawn therefrom during Airport Fiscal Years ending June 30, 2006 and 2007 and not previously replenished; and then

(ii) To the Debt Service Stabilization Fund and the Development Fund a total of up to \$6,480,000, with 22.70% of each such transfer to the Debt Service Stabilization Fund and 77.30% of each such transfer to the Development Fund;

(d) For Airport Fiscal Year ending June 30, 2009, as follows:

(i) To the Debt Service Stabilization Fund any amounts withdrawn therefrom during Airport Fiscal Years ending June 30, 2006 through 2008 and not previously replenished; and then

(ii) To the Debt Service Stabilization Fund and the Development Fund a total of up to \$7,643,000, with 85.79% of each such transfer to the Debt Service Stabilization Fund and 14.21% of each such transfer to the Development Fund;

(e) For Airport Fiscal Year ending June 30, 2010, as follows:

(i) To the Debt Service Stabilization Fund any amounts withdrawn therefrom during Airport Fiscal Years ending June 30, 2006 through 2009 and not previously replenished; and then

(ii) To the Debt Service Stabilization Fund and the Development Fund a total of up to \$6,420,000, with 100% of each such transfer to the Debt Service Stabilization Fund and 0% of each such transfer to the Development Fund;

(f) For Airport Fiscal Year ending June 30, 2011, as follows:

(i) To the Debt Service Stabilization Fund any amounts withdrawn therefrom during Airport Fiscal Years ending June 30, 2006 through 2010 and not previously replenished; and then

(ii) To the Debt Service Stabilization Fund and the Development Fund a total of up to \$5,725,000, with 87.25% of each such transfer to the Debt Service Stabilization Fund and 12.75% of each such transfer to the Development Fund;

(9) Beginning in Airport Fiscal Year ending June 30, 2012, and thereafter, to the Debt Service Stabilization Fund an amount sufficient to bring the amount on deposit in the Debt Service Stabilization Fund equal to the Debt Service Stabilization Fund Requirement (or such lesser amount as is available in the Revenue Fund for such transfer).

(10) The remaining GARB Revenues in the Revenue Fund will be deposited into the Development Fund; and

(11) The remaining Pledged PFC Revenues in the Revenue Fund will be deposited into the PFC Account.

As soon as practicable after the end of each Airport Fiscal Year and except as otherwise provided in the Indenture and subject to the satisfaction of the conditions set forth therein, after all deposits required to be made into each of the aforesaid Funds have been made, the City is required to transfer from the City Sub-Account to the general revenue fund of the City, an amount equal to five percent (5%) of the GARB Revenues (excluding, however, from GARB Revenues, for this purpose only, investment income and other non-operating income of the Airport) during the Airport Fiscal Year then last ended; provided, however, that for all periods subsequent to July 1, 1996, the applicable percentage of GARB Revenues (as specified above) will equal the percentage of the gross revenues then required to be paid to the City by public utilities operating within the City (such percentage being ten percent (10%) as of the date of the Restated Indenture).

Notwithstanding the foregoing, the amounts payable to the City described in the preceding paragraph are limited to five percent of the GARB Revenues (excluding, however, from GARB Revenues, for this purpose only, investment income and other non-operating income of the Airport) until such time that the Trustee has received a Counsel's Opinion to the effect that the amount payable does not violate or conflict with any laws or contractual obligations applicable to the Airport and the City, including, without limitation, the Federal Airport and Airway Improvement Act of 1982 and the United States Department of Transportation Grant Agreements to which the City is a party.

The amount payable to the general revenue fund of the City described in the preceding paragraphs may be paid in advance in monthly installments so long as (i) such amount is included in the rate base utilized to determine rates and charges payable by air carriers which utilize the Airport and (ii) each such monthly installment will not exceed the lesser of one-twelfth (1/12<sup>th</sup>) of eighty percent (80%) of the total amount paid to the City pursuant to such clause in respect of the prior Airport Fiscal Year or (2) eighty percent (80%) of the amount deposited in such month in the City Sub-Account in respect of amounts payable to the City pursuant to the preceding paragraphs.

The final installment of the amount payable to the City each Airport Fiscal Year is subject to the filing with the Trustee of certificates of the City that all required deposits to the Operation and Maintenance Fund, the Bond Fund and the Renewal and Replacement Fund have been made and that no Event of Default has occurred and is continuing under the Indenture. If, during any Airport Fiscal Year, the aggregate amount paid in advance to the City exceeds the amount payable to the City during such Airport Fiscal Year, the amount of such excess will be returned by the City to the Revenue Fund. Until any such excess is returned by the City to the Revenue Fund, the City will be entitled to no further payments by the Airport.

### **Description of Funds Established by the Indenture**

*Operation and Maintenance Fund.* Amounts in the Operation and Maintenance Fund are to be paid out from time to time by the City for reasonable and necessary Operation and Maintenance Expenses. Amounts in said Fund which the City at any time determines to be in excess of the requirements of such Fund will be transferred into the Revenue Fund and applied in accordance with the provisions of the Indenture regarding the application of Revenues.

*Bond Fund-Debt Service Account.* The Trustee is required to pay out of the Debt Service Account to the respective Paying Agents (1) on or before each interest payment date for any of the Bonds, the amount required for the interest payable on such date, (2) on or before each Principal Installment due date, the amount required for the Principal Installment payable on such due date; and (3) on or before any redemption date for the Bonds, the amount required for the payment of interest on the Bonds then to be redeemed. Such amounts are required to be applied by the Paying Agents on and after the due dates thereof. The Trustee is also required to pay out of the Debt Service Account the accrued interest included in the purchase price of Bonds purchased for retirement.

*Bond Fund-Debt Service Reserve Account.* If, immediately after each monthly transfer required by the Indenture provision concerning application of Revenues, the amount in the Debt Service Account shall be less than the amount required to be in such Account pursuant to the Indenture, after any transfers from the Debt Service Stabilization Fund, the Trustee shall transfer amounts from the Debt Service Reserve Account to the Debt Service Account to the extent necessary to make good such deficiency or deficiencies. If, as of June 30 of each year, the amount in any Account in the Debt Service Reserve Account exceeds the applicable Debt Service Reserve Requirement after giving effect to any letter of credit, revolving credit agreement, standby purchase agreement, surety bond, insurance policy or similar obligation, arrangement or instrument issued by a bank, insurance company or other financial institution which provides for payment of all or a portion of the Principal Installments and/or interest due on any Series of Bonds, deposited in such Account, the Trustee will, on the first Business Day of the following Airport Fiscal Year, withdraw from such Account the amount of any excess therein over the applicable Debt Service Reserve Requirement as of the date of such withdrawal for deposit into (i) the Arbitrage Rebate Fund, the Rebate Amount estimated by the City, if any, and (ii) the Revenue Fund, the amount of any excess then remaining in the Debt Service Reserve Account over the applicable Debt Service Reserve Requirement. If the amount in any Account in the Debt Service Reserve Account is less than the applicable Debt Service Reserve Requirement and to the extent that such deficiency has not been made up within 12 months with respect to a deficiency resulting from a draw on the Debt Service Reserve Account by deposits pursuant to the Indenture or to the extent there has been a deficiency resulting from a decline in the market value of Investment Securities, the City will immediately deposit such amounts as will be necessary to cure such deficiency.

Whenever the amount in the Debt Service Reserve Account, together with the amount in the Debt Service Account, is sufficient to fully pay all Outstanding Bonds in accordance with their terms (including principal and applicable sinking fund Redemption Price and interest thereon), the funds on

deposit in the Debt Service Reserve Account are to be transferred to the Debt Service Account. Prior to said transfer, all investments held in the Debt Service Reserve Account are to be liquidated to the extent deemed necessary in order to provide for the timely payment of principal and interest (or Redemption Price) on the Bonds Outstanding.

The Trustee is required to transfer to the City for deposit in the Revenue Fund all investment earnings on moneys in the Debt Service Reserve Account, such transfer to be made at such times required by the City.

*Renewal and Replacement Fund.* Money in the Renewal and Replacement Fund may be applied to pay costs of the renewal or replacement of machinery, equipment, rolling stock, facilities or other capital items used in connection with the operation of the Airport. If at any time the moneys in the Debt Service Account, the Debt Service Reserve Account, the Debt Service Stabilization Fund, the Development Fund and the Contingency Fund are insufficient to pay the interest and Principal Installments when due on the Bonds, the City, upon requisition of the Trustee, is required to transfer from the Renewal and Replacement Fund to the Trustee for deposit in the Debt Service Account the amount necessary (or all the moneys in said Fund if less than the amount necessary) to make up such deficiency. So long as there is no deficiency in the Debt Service Account or the Debt Service Reserve Account, in the event the City receives a requisition from the trustee or other fiduciary for any Subordinated Indebtedness, with respect to a deficiency in available moneys to pay debt service on Subordinated Indebtedness, then the City shall transfer from the Renewal and Replacement Fund to such trustee or other fiduciary, the amount necessary (or all the moneys in said Fund if less than the amount necessary) to make up such deficiency. If at any time the moneys in the Operation and Maintenance Fund and the Contingency Fund will be insufficient to pay Operation and Maintenance Expenses when due, the City is required to transfer from the Renewal and Replacement Fund to the Operation and Maintenance Fund the amount necessary (or all the moneys in said Fund if less than the amount necessary) to make up such deficiency. If the amount on deposit at any time in the Debt Service Reserve Account is reduced below the amount required therein pursuant to the Indenture, the City may transfer from the Renewal and Replacement Fund to the Debt Service Reserve Account all or a portion of the amount of such deficiency.

*Development Fund.* Moneys in the Development Fund may be applied, in accordance with the Capital Budget or otherwise, at the discretion of the City, to the acquisition of land or easements for the expansion or improvement of the Airport, to purchase items of machinery, equipment, rolling stock or other capital items for use in connection with the Airport, to pay the cost of planning, engineering, design and construction of new facilities for the Airport, or to pay the cost of any other capital improvements to the Airport. If at any time the moneys in the Debt Service Account, Debt Service Reserve Account, the Debt Service Stabilization Fund, and the Contingency Fund are insufficient to pay the interest and Principal Installments when due on the Bonds, the City, upon requisition of the Trustee, is required to transfer from the Development Fund to the Trustee, for deposit in the Debt Service Account, the amount necessary (or all of the moneys in said Fund if less than the amount necessary) to make up such deficiency. So long as there is no deficiency in the Debt Service Account or the Debt Service Reserve Account, in the event the City receives a requisition from the trustee or other fiduciary for any Subordinated Indebtedness, with respect to a deficiency in available moneys to pay debt service on Subordinated Indebtedness, then the City shall transfer from the Development Fund to such trustee or other fiduciary, the amount necessary (or all the moneys in said Fund if less than the amount necessary) to make up such deficiency. If at any time the moneys in the Operation and Maintenance Fund, the Renewal and Replacement Fund and the Contingency Fund are insufficient to pay Operation and Maintenance expenses when due, the City is required to transfer from the Development Fund to the Operation and Maintenance Fund the amount necessary to make up such deficiency. The City may use amounts on deposit in the Development Fund to make payments pursuant to an Interest Rate Exchange Agreement by transferring such amounts to the Debt Service Account or as otherwise specified in a

Supplemental Indenture for a Series of Bonds. The City may, but if and only to the extent consistent with the Capital Budget, transfer from the Development Fund to the Contingency Fund any moneys in the Development Fund which are no longer needed for the purposes of moneys on deposit in the Development Fund.

*Contingency Fund.* If at any time the moneys in the Debt Service Account, the Debt Service Reserve Account and the Debt Service Stabilization Fund are insufficient to pay the interest and Principal Installments when due on the Bonds, the City, upon requisition of the Trustee, is required to transfer from the Contingency Fund to the Trustee for deposit in the Debt Service Account the amount necessary (or all of the moneys in said Fund if less than the amount necessary) to make up such deficiency or deficiencies. If at any time the moneys in the Operation and Maintenance Fund are insufficient to pay Operation and Maintenance Expenses when due, the City will transfer from the Contingency Fund to the Operation and Maintenance Fund the amount necessary (or all of the moneys in said Fund if less than the amount necessary) to make up such deficiency. If the amount on deposit in the Debt Service Reserve Account is reduced below the amount required therein, the City may transfer from the Contingency Fund to the Debt Services Reserve Account all or a portion of the amount of such deficiency. Amounts in the Contingency Fund not required to meet a deficiency as required above, may, at the discretion of the City, be applied to any one or more of the following purposes:

1. the purchase or redemption of any Bonds, and expenses in connection with the purchase or redemption of any such Bonds;
2. payments of principal or redemption price of and interest on any Subordinated Indebtedness;
3. improvements, extensions, betterments, renewals, replacements, repairs, maintenance or reconstruction of any properties or facilities of the Airport or the provision of one or more reserves therefor; and
4. any other corporate purpose of the City in connection with the Airport, the local airport system or other local facilities which are owned or operated by the City and directly related to the actual transportation of passengers or property.

Whenever any moneys in the Contingency Fund are to be applied to the purchase or redemption of Bonds, the City is required to deposit such moneys with the Trustee, in a separate account established for purpose, and is required to give written instructions to the Trustee to make such purchase or redemption in accordance with the provisions of the Indenture. Upon any such purchase or redemption of Bonds of any Series and maturity for which Sinking Fund Installments have been established, an amount equal to the principal amount of such Bonds so purchased or redeemed is to be credited toward a part (an integral multiple of \$5,000) or all of any one or more Sinking Fund Installments thereafter to become due, as directed by the City in a certificate in writing signed by an Authorized Officer of the City and filed with the Trustee, or in the absence of such direction, toward such Sinking Fund Installments in inverse order of their due dates. The portion of any such Sinking Fund Installment remaining after the deduction of any such amounts credited toward the same (or the original amount of any such Sinking Fund Installment if no such amounts shall have been credited toward the same) will constitute the unsatisfied balance of such Sinking Fund Installment for the purpose of calculation of Sinking Fund Installments due on a future date.

*Debt Service Stabilization Fund.* If, immediately after each monthly transfer required by the Indenture, the amount in the Debt Service Account shall be less than the amount required to be in such Account pursuant to the Indenture, the City shall transfer amounts from the Debt Service Stabilization

Fund to the Trustee for deposit to Debt Service Account to the extent necessary to make good such deficiency or deficiencies. Amounts on deposit in the Debt Service Stabilization Fund may be withdrawn at any time and used for (1) monthly transfers to the Trustee for deposit to the Debt Service Account to the extent necessary to replenish any deficiency or deficiencies therein, (2) emergency debt service needs with respect to Bonds, Subordinated Indebtedness or other indebtedness issued for Airport purposes, and (3) Airport operational emergencies. Notwithstanding the foregoing, after the Net Revenues for three consecutive Fiscal Years equals at least 1.60 times the Aggregate Adjusted Debt Service for such Fiscal Years, the Comptroller, upon the receipt of a request of the Airport Authority, may determine to reduce or eliminate the Debt Service Stabilization Fund Requirement and/or eliminate the Debt Service Stabilization Fund. The Comptroller, upon any such determination, shall notify the Airport Authority and the Trustee of such determination.

### **Arbitrage Rebate Fund**

The Arbitrage Rebate Fund is required to be maintained for as long as any Series of Bonds is Outstanding for the purpose of paying to the United States Treasury the amount required to be rebated pursuant to Section 148(f) of the Code. Any moneys in the Arbitrage Rebate Fund are to be invested in Government Securities or securities described in clause (x) of the definition of "Investment Securities" and investment earnings thereon are to be credited to the Arbitrage Rebate Fund.

### **Subordinated Indebtedness**

Nothing contained in the Indenture will prohibit or prevent, or be deemed, or construed, to prohibit or prevent, the City from issuing or refunding bonds, notes, commercial paper, certificates, warrants or other evidence of indebtedness payable as to principal and interest from the Revenue Fund and the Net Revenues, subject and subordinate to the deposits and credits required to be made therefrom to the Debt Service Account and the Debt Service Reserve Account, or from securing such bonds, notes, commercial paper, certificates, warrants or other evidences of indebtedness and the payment thereof by a lien and pledge on the Net Revenues junior and inferior to the lien and pledge on the Net Revenues created for the payment and security of the Bonds.

Subject to the paragraph directly below, at any time after authorization but prior to the issuance of Subordinated Indebtedness, the City shall furnish to the Trustee a Certificate of the City with respect to the specific principal amount of Subordinated Indebtedness proposed to be issued (the "Certified Amount"), and that provides as follows: annual estimated Net Revenues available, after payment of Debt Service of the Outstanding Bonds, for each of the three (3) Airport Fiscal Years following the Airport Fiscal Year in which it is estimated that the Airport has beneficial occupancy of the Airport project to be financed or refinanced (in whole or in part) from the proceeds of such Certified Amount, will be at least equal to 1.10 times the sum of (1) estimated debt service on the Certified Amount proposed to be issued, (2) debt service on all outstanding Subordinated Indebtedness, and (3) estimated debt service on any other previously Certified Amounts to the extent that such Certified Amounts are not outstanding but are still authorized and available to be issued.

For purposes of compliance with the paragraph above, the Certificate of the City may include any of the following provisions or assumptions:

1. Once executed with respect to a Certified Amount, the Certificate of the City shall remain effective with respect to all issuances and reissuances, from time to time (and regardless of any repayment or maturity) of such Certified Amount until the authorized time period for issuance and final maturity of such Certified Amount has expired. (By way of example, (i) if the Certified Amount is with respect to a commercial



paper program, then once such amount is certified with respect to the initial Airport project, such certificate shall remain effective until the final eligible maturity date of the commercial paper has passed such that it cannot be issued, re-issued or refunded; or (ii) if the Certified Amount is with respect to long-term fixed rate bonds, then once certified such certificate shall remain effective until such bonds or notes are issued and they mature or are paid off or defeased prior to maturity.)

2. With respect to the identification of the Airport project to be financed or refinanced (in whole or in part) with the proceeds of the Certified Amount and the determination of the applicable three (3) Airport Fiscal Years for the coverage test, the Certificate of the City may assume, without regard to the estimated beneficial occupancy date of a specific Airport project, that, with respect to the Certified Amount, the three (3) year test period begins with the first full Airport Fiscal Year beginning after the date of the Certificate of the City.

3. If the Certified Amount is structured so that the principal coming due on the final maturity date exceeds by at least 25% the principal coming due in any prior year then debt service on the Certified Amount may be calculated based upon an assumed 30-year level debt amortization schedule and applying a 10-year average of the Index Interest Rate. For purposes of calculating estimated debt service for any Certified Amount, the calculation may be based on then prevailing market conditions as determined by a third party expert or by applying the appropriate average of the Index Interest Rate as determined by the City or a third party expert.

4. The Certificate of the Authorized Officer of the City may be based, in whole or in part, upon reports or certificates from the Airport Consultant, an Accountant's Certificate or reports of other third party experts.

5. Subordinated Indebtedness issued for the following purposes may be excluded from any calculation of debt service coverage with respect to Subordinated Indebtedness (including certification with respect to a Certified Amount):

i. Subordinated Indebtedness issued to refund outstanding Subordinated Indebtedness.

ii. Subordinated Indebtedness issued to refund Outstanding Bonds.

iii. Subordinated Indebtedness which the City expects to pay from a source of funds other than estimated Net Revenues available, after payment of Debt Service of the Outstanding Bonds, to the extent such source is anticipated as being available or obligated to the City for Airport purposes, such as grant moneys, passenger facility charges or other available moneys, including, without limitation, moneys in the Development Fund.

Any ordinance or indenture providing for the issuance of Subordinated Indebtedness may provide that additional Subordinated Indebtedness may be issued on a parity therewith.

The principal amount of any Subordinated Indebtedness shall, by its terms, not be subject to acceleration upon default unless and until the principal amount of the Bonds has been accelerated pursuant to the Indenture.

### **Debt Service Stabilization Fund**

If, immediately after each monthly transfer required by the Indenture, the amount in the Debt Service Account shall be less than the amount required to be in such Account pursuant to the Indenture, the City shall transfer amounts from the Debt Service Stabilization Fund to the Trustee for deposit to the Debt Service Account to the extent necessary to make good such deficiency or deficiencies. Amounts on deposit in the Debt Service Stabilization Fund may be withdrawn at any time and used for (1) emergency debt service needs with respect to Bonds, Subordinated Indebtedness or other indebtedness issued for Airport purposes and (2) Airport operational emergencies. Notwithstanding the foregoing, after the Net Revenues for three consecutive Airport Fiscal Years equals at least 1.60 times the Aggregate Adjusted Debt Service for such Airport Fiscal Years, the Comptroller, upon the receipt of a request of the Airport Commission, may determine to reduce or eliminate the Debt Service Stabilization Fund Requirement and/or eliminate the Debt Service Stabilization Fund. The Comptroller, upon any such determination, shall notify the Airport Commission and the Trustee of such determination.

### **PFC Account**

Amounts in the PFC Account shall be applied as provided in the applicable Supplemental Indenture relating to the designation and pledge of Pledged PFC Revenues.

### **Expenditures from City Held Funds and Accounts**

Expenditures from any Funds and Accounts held by the City shall be subject to the then existing requirements for expenditure of City funds, which requirements consist of approvals by the Airport Commission and the Board of Estimate and Apportionment of the City and appropriation of funds by the Board of Aldermen of the City. Notwithstanding the foregoing, if the timing of the need for any expenditure of moneys from any Fund or Account held by the City is deemed an emergency, then the approval of the expenditure of such moneys may occur in accordance with the provisions of Article XV, Section 2 of the City Charter, or any successor provision.

### **Investment of Certain Funds**

Moneys held in the Debt Service Account, the Debt Service Reserve Account and the Rebate Fund are to be invested and reinvested by the Trustee to the fullest extent practicable in Investment Securities which mature not later than such times as will be necessary to provide moneys when needed for payments to be made from such Accounts, and in the case of the Debt Service Reserve Account not later than 15 years (unless such securities will be redeemable at the option of the holder thereof, in which event such securities may mature at a date no later than the final maturity date of the Bonds). The Trustee will make such investment in accordance with any instructions received from an Authorized Officer of the City. The Trustee, upon notice to and written consent of an Authorized Officer of the City, may make any and all such investments through its own bond department or the bond department of any bank or trust company under common control with the Trustee.

Moneys in the Revenue Fund and the Construction Fund may be invested by the City in Investment Securities which mature not later than such time as will be necessary to provide moneys when needed to provide payments from such Funds. Moneys in the Operation and Maintenance Fund may be invested by the City in Investment Securities which mature within 12 months and moneys in the Development Fund, the Renewal and Replacement Fund, the Contingency Fund, the Debt Service Stabilization Fund, the PFC Account and the Arbitrage Rebate Fund may be invested in Investment Securities which mature within 5 years, and in any case not later than such time as will be necessary to provide moneys when needed for payment from such respective Funds.



Earnings on any moneys or investments in all Funds and Accounts established under the Indenture will be deposited in the Revenue Fund, except that earnings on the moneys or investments in the Construction Fund will, to the extent expressly required by the terms of any Supplemental Indenture authorizing the issuance of a Series of Bonds, be retained in the Construction Fund.

### **Particular Covenants of the City**

*Powers as to the Airport and Collection of Rates, Fees and Rentals.* The City has and will have, so long as any Bonds are Outstanding, good right and lawful authority to acquire, construct, develop, operate, maintain, repair, improve, reconstruct, enlarge, and extend the Airport and to fix rates, fees, rentals and other charges in connection therewith.

*Indebtedness and Liens.* The City has covenanted not to issue any bonds, notes or other evidences of indebtedness, other than the Bonds, payable out of or secured by a pledge of the Revenues or of the moneys, securities of funds held or set aside by the City or by the Fiduciaries under the Indenture and will not create or cause to be created any lien or charge on the Revenues or such moneys, securities or funds; provided, however, that nothing contained in the Indenture will prevent the City from issuing Subordinated Indebtedness as provided in the Indenture.

*Sale, Lease or Encumbrance of Property.* The City has covenanted not to sell or otherwise dispose of or encumber any part of the Airport, except property which, in the opinion of the Airport Commission and the Airport Consultant, is no longer necessary or useful in the operation thereof, and except as provided in the Indenture with respect to Special Facilities. In addition, the City may lease or make contracts or grant licenses for the operation of, or grant easements or other rights with respect to, any part of the Airport if such lease, contract, license, easement or right does not impede or restrict the operation by the City of the Airport for Airport purposes. Proceeds from the sale or disposition of property not used to replace such property and any such payments with respect to a lease, contract, license, easement or right not otherwise required to be applied in accordance with the Indenture will be applied in the same manner and to the same purpose as Revenues.

The Indenture expressly permits the transfer (by sale, lease or otherwise) of all or a substantial part of the Airport if the principal of and interest on the Bonds are paid in full; the Bonds are defeased in accordance with the Indenture; or the transferee assumes all obligations of the City under the Indenture and in the Bonds and if, in the case of such assumption: (1) in the written opinions of the Director of Airports and the Airport Consultant, after giving effect to such transfer and assumption, the ability of the transferee to meet the rate maintenance and other covenants under the Indenture and the security for the Bonds are not materially and adversely affected, (2) the City will have furnished the Trustee with a Bond Counsel's Opinion to the effect that such transfer will not adversely affect the tax-exempt status of interest on the Bonds under the Code and (3) such transferee will expressly agree not to use the Funds held under the Indenture otherwise than as provided in the Indenture. In the event of any such transfer and assumption, nothing in the Indenture will prohibit or prevent the retention by the City of any facility of the Airport if, in the written opinions of the Director of Airports and the Airport Consultant, such retention will not materially and adversely affect the security for the Bonds, nor unreasonably restrict the transferee's ability to comply with the rate maintenance and other covenants thereunder. Any consideration received by the City from the transferee of all or a substantial part of the Airport will not constitute "Revenues" under the Indenture or be subject to the terms and provisions of the Indenture. The terms and conditions of the transfer of all or a substantial part of the Airport pursuant to the Indenture will be set forth in a Supplemental Indenture executed by the City, the Trustee and the transferee and notice of such transfer will be given to the Bondholders in accordance with the Indenture.

*Operation Maintenance and Reconstruction.* The City shall at all times operate, or cause to be operated, the airport properly and in a sound, efficient and economical manner, and shall maintain, preserve, and keep the same or cause the same to be maintained, preserved and kept with the appurtenances and every part and parcel thereof, in good repair, working order and condition, and shall from time to time make or cause to be made, all ordinary, necessary and proper repairs, replacements and renewals so that at all times the operation of the Airport may be properly and advantageously conducted, and I, if any useful part of the Airport is damaged or destroyed, the City shall, as expeditiously as may be possible, commence and diligently prosecute the ordinary replacement or reconstruction of such part so as to restore the same to use; provided, however, that nothing in the Indenture shall require the City to operate, maintain, preserve, repair, replace, renew or reconstruct any part of the Airport (1) from sources other than the Revenues or (2) if there shall be filed with the Trustee (i) a certificate executed by an Authorized Officer of the City stating that in the opinion of the City abandonment of operation of such part is economically justified and is not prejudicial to the interests of the Owners of the Bonds, and (ii) a consent to the filing of such certificate is given by the Trustee, which consent shall be withheld only upon reasonable grounds.

Notwithstanding any provisions in the Indenture to the contrary, the City and the Airport Commission shall at all times operate the Airport so long as there are any Outstanding Bonds under the Indenture. Operation of the Airport may not be transferred by the City or the Airport Commission to another entity and may not be assumed by any other entity so long as there are any Outstanding Bonds under the Indenture; provided, however, that the City and the Airport Commission may enter into agreements with third party vendors, consultants and contractors for specific aspects or portions of the maintenance or operation of the Airport or the construction of capital projects at the Airport.

*Rates and Charges.* The City has covenanted to, at all times while any Bonds will be Outstanding, establish, fix, prescribe and collect such rates, fees, rentals and other charges for the use of the Airport as will be reasonably anticipated to provide in each Airport Fiscal Year an amount so that the Revenues will be sufficient to pay the Aggregate Debt Service for such Airport Fiscal Year and to provide the funds necessary to make the required deposits in and maintain the several Funds and Accounts established in the Indenture, and in any event, as will be required to pay or discharge all indebtedness, charges and liens whatsoever payable out of Revenues under the Indenture.

*Insurance.* So long as any Bonds are Outstanding the City will at all times carry insurance or cause insurance to be carried, including the City as an insured as its interest may appear, with a responsible insurance company or companies authorized and qualified under the laws of any state of the United States of America to assume the risk thereof, covering such properties of the Airport as are customarily insured, and against loss or damage from such causes as are customarily insured against, by public or private corporations engaged in a similar type of business, all in accordance with the annual written recommendations of the Insurance Consultant.

Any proceeds of insurance for the Airport will be paid into the Construction Fund during the period of Construction, and thereafter will, to the extent necessary and desirable, be applied to the repair and replacement of any damaged or destroyed properties of the Airport. If any of said proceeds received are not used or committed for use with respect to the repair or replacement of Airport property within twenty-four months of receipt, such proceeds will be paid into the Development Fund.

*Airport Consultant.* The City will employ an Airport Consultant from time to time whenever and for the purposes contemplated by the Indenture. Such Airport Consultant will be an airport consultant or airport consultant firm or corporation having a wide and favorable reputation for skill and experience with respect to the operation and maintenance of airports, in recommending rental and other charges for use of airport facilities and in projecting revenues to be derived from the operation of airports.

*Budgets.* The City has covenanted to prepare and file annually with the Trustee at the beginning of each City Fiscal Year an Annual Budget setting forth the ensuing City Fiscal Year in reasonable detail, among other things, estimated Revenues, estimated Operation and Maintenance Expenses, reasonably anticipated unusual and extraordinary expenses, and deposits into each of the Funds established under the Indenture. The City may at any time adopt an amended Annual Budget for the remainder of the then current City Fiscal Year.

At least every five (5) City Fiscal Years the City (through the Airport Commission) has covenanted to prepare and file with the Trustee a Capital Budget for the Airport for the ensuing five (5) City Fiscal Years. The Capital Budget will set forth in reasonable detail the anticipated necessary or appropriate major capital improvements to the Airport during the succeeding five year period, the estimated Cost of Construction of such capital improvements and the anticipated sources of funds for the payment of such Costs. The City may at any time and from time to time adopt an amended Capital Budget for the remainder of the five City Fiscal Years covered thereby and will promptly file any such amendment with the Trustee. The Capital Budget and any amendments thereto will be available at the offices of the Trustee for inspection by the Bondholders.

*Accounts and Reports.* The City has covenanted to keep or cause to be kept proper books of record and account of the Airport in which complete and correct entries will be made of its transactions relating to the Revenues and each Fund and Account established under the Indenture, and which will at all times be subject to the inspection of the Trustee and the Owners of an aggregate of not less than 5% in principal amount of the Bonds then Outstanding or their representatives duly authorized in writing.

The City shall annually, within 120 days after the close of each Airport Fiscal Year, cause an audit to be made of its books and accounts relating to the Airport for such Airport Fiscal Year by an independent and recognized certified public accountant or firm of independent certified public accountants not in the regular employ of the City. Promptly thereafter reports of each audit will be filed with the Trustee, each Bond Insurer and with each Rating Agency. Each such audit report will set forth with respect to such Airport Fiscal Year: (i) a statement of financial condition of the Airport as of the end of such Airport Fiscal Year and the related statement of revenues and expenses for the Airport Fiscal Year then ended, (ii) a summary with respect to each Fund and Account established under the Indenture of the receipts therein and disbursements therefrom; (iii) the details of all Bonds issued, paid, purchased or redeemed, (iv) the amounts on deposit at the end of such Airport Fiscal Year to the credit of each Fund and Account established under the Indenture; (v) the amounts of the proceeds received from any sales of property constituting part of the Airport; and (vi) a list of all insurance policies with respect to the Airport or certificates thereof then held by the City or the Trustee.

The reports, statements and other documents required to be furnished to the Trustee pursuant to any provisions of the Indenture will be available for the inspection of the Bondholders at the office of the Trustee and will be mailed to each Bondholder who will file a written request therefor with the City. The City may charge each Bondholder requesting such reports, statement and other documents, a reasonable fee to cover reproduction, handling and postage.

*Special Facilities.* The City or any other public corporation or public instrumentality will be authorized to finance from the proceeds of obligations, other than Bonds, issued by the City or such other public corporation or public instrumentality which are not payable from Revenues, capital improvements or facilities to be located on any property included under the definition of Airport ("Special Facilities") without regard to any requirements of the Indenture with respect to the issuance of Additional Bonds, provided:

(1) Such obligations are payable solely from rentals or other charges derived by the City or such other public corporation or public instrumentality under a lease, sale or other agreement entered into between the City or such other public corporation or public instrumentality and the person, firm or corporation which will be utilizing the Special Facilities to be financed;

(2) The estimated rentals, payments or other charges (including interest earnings on any reserves) to be derived by the City or such other public corporation or public instrumentality from the lease, sale or other agreement with respect to the Special Facilities to be financed will be at least sufficient to pay the principal of and interest on such obligations, all costs of operating and maintaining such Special Facilities and all sinking fund, reserve or other payments required by the resolution, ordinance or indenture securing such obligations;

(3) The construction and operation of the Special Facilities to be financed will not decrease the Revenues presently projected to be derived from the Airport; and

(4) In addition to all rentals, payments or other charges with respect to the Special Facilities to be financed, a fair and reasonable rental for the land upon which said Special Facilities are to be constructed will be charged by the City, and said ground rent will be deemed Revenues derived from the Airport.

The Indenture further provides that the provisions described above are not applicable to or otherwise deemed to limit the right of the City or any other public corporation or public instrumentality to finance the expansion, relocation or other improvement of any airline aviation fueling facilities or in-flight meal preparation facilities located at the Airport on October 15, 1984.

*Tax Covenant of the City.* The City shall at all times do and perform, or cause to be done and performed, all acts and things permitted by law and necessary in order to assure that the interest paid on the Bonds which are Tax-Exempt Bonds shall, for the purpose of federal income taxation, be excludable from the gross income of the recipients thereof and exempt from such taxation, except in the case of any Bond which is a "private activity bond" which is held by a person who is a "substantial user" or a "related person" within the meaning of Section 147(a) of the Code or except in the event that interest on the Bonds is subject to any other federal income tax otherwise applicable to obligations, the interest on which is excluded from gross income under Section 103 of the Code.

The City shall not permit at any time or times any of the proceeds of the Tax-Exempt Bonds or any other funds of the City to be used directly or indirectly to acquire any securities or obligations the acquisition of which would cause any Tax-Exempt Bond issued pursuant to this Indenture to be an "arbitrage bond" within the meaning of Section 103(b)(2) of the Code. In addition, the City shall not permit at any time or times, any moneys or securities in any fund or account created or continued hereunder to be invested or held in such manner so as to cause any Tax-Exempt Bond issued pursuant to this Indenture to be an "arbitrage bond" as aforesaid.

The City shall make any and all payments required to be made to the United States Department of the Treasury in connection with the Tax-Exempt Bonds pursuant to Section 148(f) of the Code from amounts on deposit in the funds and accounts established under this Indenture and available therefor.

The City agrees to continually comply with the provisions of any Tax Certificate entered into in connection with each Series of Bonds, as such certificate may be amended from time to time, as a source of guidance for achieving compliance with the Code.

## Events of Default and Remedies

Each of the following constitutes an event of default (each, an “Event of Default”) under the Indenture:

(A) if default is made in the due and punctual payment of the principal of or Redemption Price of any Bond, whether at maturity or by call for redemption, or otherwise, or in the due and punctual payment of any installment of interest on any Bond or the unsatisfied balance of any Sinking Fund Installment therefor when and as such interest installment or Sinking Fund Installment will become due and payable;

(B) if default is made by the City in the performance or observance of the covenants, agreements and conditions on its part in establishing, fixing, prescribing and collecting rates, fees, rentals and other charges for the use of the Airport in order that in each Airport Fiscal Year the Revenues will be sufficient to pay the Aggregate Debt Service for such Airport Fiscal Year and to provide the funds necessary to make the required deposits in and maintain the several Funds and Accounts established in the Indenture, and in any event, as are required to pay or discharge all indebtedness, charges and liens whatsoever payable out of the Revenues under the Indenture; provided, however, that a failure by the City to comply with the foregoing covenant will not constitute an event of default under the Indenture if, (i) within four months of the end of the most recently completed Airport Fiscal Year, the City retains an Airport Consultant for the purpose of making recommendations with respect to the operations of the Airport and the sufficiency of its rates, fees, rentals and other charges, (ii) the Airport Consultant will make the required recommendations to the City within seven months of the end of such Airport Fiscal Year and file same with the Trustee; and (iii) the City will diligently and in good faith follow the recommendations of the Airport Consultant;

(C) if default will be made by the City in the performance or observance of any other of the covenants, agreements or conditions on its part contained in the Indenture or in the Bonds and such default will continue for a period of sixty days after written notice thereof to the City by the Trustee or to the City and to the Trustee by the Owners of not less than twenty-five percent in principal amount of the Bonds Outstanding; provided, however, that if such failure will be such that it can be corrected but cannot be corrected within such sixty day period, it will not constitute an Event of Default if corrective action is instituted within such period and diligently pursued until the failure is corrected;

(D) if the City will file a petition seeking a composition of indebtedness under the federal bankruptcy laws, or under any other applicable law or statute of the United States of America or of the State;

(E) if judgment for the payment of money is rendered against the City as the result of the construction, improvement, ownership, control or operation of the Airport, and any such judgment will not be discharged within twenty four (24) months after the entry thereof, or an appeal will not be taken therefrom or from the order, decree or process upon which or pursuant to which such judgment will have been granted or entered, in such manner as to set aside or stay the execution of or levy under such judgment, or order, decree or process or the enforcement thereof; or

(F) if an order or decree is entered, with the consent or acquiescence of the City, appointing a receiver or receivers of the Airport or any part thereof, or the revenues therefrom, or if such order or decree has been entered without the consent or acquiescence of the City, such order



or decree will not be vacated or discharged, stayed or appealed within ninety (90) days after the entry thereof; then and in each and every such case, so long as such Event of Default will not have been remedied, unless the principal of all the Bonds will have already become due and payable, either the Trustee may (by notice in writing to the City), and upon written request of the Owners of not less than twenty-five percent (25%) in principal amount of the Bonds Outstanding (by notice in writing to the City and the Trustee) will, declare the principal of all the Bonds then Outstanding, and the interest accrued thereon, to be due and payable immediately, and upon any such declaration the same will become and be immediately due and payable, anything in the Indenture or in any of the Bonds contained to the contrary notwithstanding.

The right of the Trustee to make any such declaration as aforesaid, however, is subject to the condition that if, at any time after such declaration, but before the Bonds will have matured by their terms, all overdue installments of interest upon the Bonds, together with interest on such overdue installments of interest to the extent permitted by law and the reasonable and proper charges, expenses and liabilities of the Trustee, and all other sums then payable by the City under the Indenture (except the principal of, and interest accrued since the next preceding interest payment date on the Bonds due and payable solely by virtue of such declaration) will either be paid by or for the account of the City or provision satisfactory to the Trustee will be made for such payment, and all defaults under the Bonds or under the Indenture (other than the payment of principal and interest due and payable solely by reason of such declaration) will be made good or be secured to the satisfaction of the Trustee or provision deemed by the Trustee to be adequate will be made therefor, then and in every such case the Owners of fifty-one percent (51%) in principal amount of the Bonds Outstanding, by written notice to the City and to the Trustee, may rescind such declaration and annul such default in its entirety, or, if the Trustee will have acted itself, and if there will not have theretofore delivered to the Trustee written direction to the contrary by the Owners of fifty-one percent (51%) in principal amount of the Bonds then Outstanding, then any such declaration will ipso facto be deemed to be rescinded and any such default and its consequences will ipso facto be deemed to be annulled, but no such rescission and annulment will extend to or affect any subsequent default or impair or exhaust any right or power consequent thereon.

If an Event of Default has happened and has not been remedied, then and in every such case, the Trustee, by its agents and attorneys, may proceed, and upon written request of the Owners of not less than twenty-five percent (25%) in principal amount of the Bonds Outstanding or the Bond Insurers will proceed, to protect and enforce its rights and the rights of the Owners of the Bonds under the Indenture forthwith by a suit or suits in equity or at law, whether for the specific performance of any covenant contained in the Indenture, or in aid of the execution of any power therein granted, or for an accounting against the City as if the City were the trustee of an express trust, or in the enforcement of any other legal or equitable right as the Trustee, being advised by counsel, will deem most effectual to enforce any of its rights or to perform any of its duties under the Indenture.

The Owners of not less than a majority in principal amount of the Bonds at the time Outstanding may direct the time, method and place of conducting any proceeding for any remedy available to the Trustee, or exercising any trust or power conferred upon the Trustee, provided that the Trustee will have the right to decline to follow any such direction if the Trustee will be advised by counsel that the action or proceeding so directed may not lawfully be taken, or if the Trustee in good faith will determine that the action or proceeding so directed would involve the Trustee in personal liability or be unjustly prejudicial to the Bondholders not parties to such direction.

Regardless of the happening of an Event of Default, the Trustee will have power to, but unless requested in writing by the Owners of not less than 51% in principal amount of the Bonds then Outstanding or the Bond Insurers, and furnished with reasonable security and indemnity, will be under no obligation to, institute and maintain such suits and proceedings as it may be advised will be necessary or expedient

to prevent any impairment of the security under the Indenture by any acts which may be unlawful or in violation of the Indenture, and such suits and proceedings as the Trustee may be advised will be necessary or expedient to preserve or protect its interests and the interest of the Bondholders.

Certain actions required or permitted to be taken under the Indenture by the Owners of any Bonds may be taken by the Bond Insurer without any action being taken by the Owners thereof. Any action taken by such Bond Insurer will be deemed to be the action taken by such Owners.

### **Restrictions on Bondholders' Actions**

No Owner of any Bond will have any right to institute any suit, action or proceeding at law or in equity for the enforcement of any provision of the Indenture or the execution of any trust under the Indenture or for any remedy under the Indenture, unless such Owner will have previously given to the Trustee written notice of the happening of an Event of Default, as provided in the Indenture, and the Owners of at least twenty-five percent in principal amount of the Bonds then Outstanding will have filed a written request with the Trustee, and will have offered it reasonable opportunity, either to exercise the powers granted in the Indenture or by the laws of the State or to institute such action, suit or proceeding in its own name, and unless such Owners will have offered to the Trustee adequate security and indemnity against the costs, expenses and liabilities to be incurred therein or thereby, and the Trustee will have refused to comply with such request for a period of thirty days after receipt by it of such notice, request and offer of indemnity, it being understood and intended that no one or more Owners of Bonds will have any right in any manner whatever by his or their action to affect, disturb or prejudice the pledge created by the Indenture, or to enforce any right under the Indenture, except in the manner therein provided; and that all proceedings at law or in equity to enforce any provision of the Indenture will be instituted, had and maintained in the manner provided in the Indenture and for the equal benefit of all Owners of the Outstanding Bonds.

### **Waiver of Events of Defaults**

Prior to the declaration of maturity of the Bonds as provided in the Indenture, the Owners of not less than fifty-one percent (51%) in principal amount of the Bonds at the time Outstanding, or their attorneys-in-fact duly authorized, may on behalf of the Owners of all of the Bonds waive any past default under the Indenture and its consequences, except a default in the payment of interest on or principal of or premium (if any) on any of the Bonds. No such waiver will extend to any subsequent or other default or impair any right consequent thereon.

### **Rights of Bond Insurers upon Default**

All actions permitted to be taken under the Indenture upon the occurrence of an Event of Default by the Owners of any Bonds insured by a Bond Insurer may be taken by such Bond Insurer without any action being taken by such Owners. Any action taken by such Bond Insurer will be deemed to be the action taken by such Owners for purposes of the Indenture.

### **Supplemental Indentures**

For any one or more of the following purposes at any time or from time to time, a Supplemental Indenture of the City may be adopted, which, upon the execution and delivery thereof by the Trustee will be fully effective in accordance with its terms:

(1) To close the Indenture against, or provide limitations and restrictions to the limitations and restrictions contained in the Indenture on, the authentication and delivery of Bonds or the issuance of other evidences of indebtedness;

(2) To add to the covenants and agreements of the City in the Indenture, other covenants and agreements to be observed by the City which are not contrary to or inconsistent with the Indenture theretofore in effect;

(3) To add to the limitations and restrictions in the Indenture, other limitations and restrictions to be observed by the City which are not contrary to or inconsistent with the Indenture as theretofore in effect;

(4) To provide for the issuance of bearer Bonds and interest coupons and establish appropriate exchange privileges and notice requirements in connection therewith with respect to any Bonds issued or to be issued under the Indenture;

(5) To authorize Bonds of a Series or to determine the terms and details thereof and, in connection therewith, specify and determine certain matters and things pertaining to the issuance of the Bonds, Additional Bonds and Refunding Bonds referred to in the Indenture, and also any other matters and things relative to such Bonds which are not contrary to or inconsistent with the Indenture as theretofore in effect, or to amend, modify or rescind any such authorization, specification or determination at any time prior to the first authentication and delivery of such Bonds;

(6) To confirm, as further assurance, any pledge under, and the subjection to any lien or pledge created or to be created by, the Indenture, of the Revenues, or of any other moneys, securities or funds;

(7) To modify any of the provisions of the Indenture in any respect whatever, provided that (i) the effective date of such modification will be, and expressed to be, effective only after all Bonds of any Series Outstanding at the date of the adoption of such Supplemental Indenture will cease to be Outstanding, and (ii) such Supplemental Indenture will be specifically referred to in the text of all Bonds of any Series authenticated and delivered after the date of the adoption of such Supplemental Indenture and of Bonds issued in exchange therefor or in place thereof;

(8) To cure any ambiguity, supply any omission, or cure or correct any defect or inconsistent provision in the Indenture; or

(9) To insert such provisions clarifying matters or questions arising under the Indenture as are necessary or desirable and are not contrary to or inconsistent with the Indenture as theretofore in effect.

At any time or from time to time, a Supplemental Indenture may be adopted subject to consent by Bondholders in accordance with and subject to the provisions of the Indenture, which Supplemental Indenture, upon the execution and delivery thereof by the Trustee and upon compliance with the provisions of the Indenture, will become fully effective in accordance with its terms as provided in the Indenture.

Any modification or amendment of the Indenture and of the rights and obligations of the City and of the Owners of the Bonds thereunder, in particular, may be made by a Supplemental Indenture, with the



written consent given as provided in the Indenture (i) of the Owners of at least fifty-one percent in principal amount of the Bonds Outstanding at the time such consent is given, and (ii) in case less than all of the several Series of Bonds then Outstanding are affected by the modification or amendment, of the Owners of at least fifty-one percent in principal amount of the Bonds of each Series so affected and Outstanding at the time such consent is given; provided, however, that if such modification or amendment will, by its terms, not take effect so long as any Bonds of any specified like Series and maturity remain Outstanding, the consent of the Owners of such Bonds will not be required and such Bonds will not be deemed to be Outstanding for the purpose of any calculation of Outstanding Bonds under the Indenture. No such modification or amendment will permit a change in the terms of redemption or maturity of the principal of any Outstanding Bond or Sinking Fund Installment or any installment of interest thereon or a reduction in the principal amount or the Redemption Price thereof or in the rate of interest thereon without the consent of the Owner of such Bond, or will reduce the percentages or otherwise affect the classes of Bonds the consent of the Owners of which is required to effect any such modification or amendment, or shall change or modify any of the rights or obligations of any Fiduciary without its written assent thereto.

The terms and provisions of the Indenture and the rights and obligations of the City and of the Owners of the Bonds thereunder may be modified or amended in any respect upon the adoption and filing by the City of a Supplemental Indenture and the consent of the Owners of all the Bonds then Outstanding.

The consent of the Owner of any Bond which is entitled to the benefits of a Bond Insurance Policy issued by a Bond Insurer will not be effective unless the Trustee will have received a written consent of such Bond Insurer. For purposes of certain provisions of the Indenture, certain actions required or permitted to be taken thereunder by the Owners of any Bonds may be taken by such Bond Insurer without any action being taken by the Owners thereof. Any action taken by such Bond Insurer will be deemed to be the action taken by such Owners.

### **Discharge of Lien of the Indenture**

If the City will pay or cause to be paid, or there will otherwise be paid, to the Owners of all Bonds the principal or Redemption Price, if applicable, and interest due or to become due thereon, at the times and in the manner stipulated therein and in the Indenture, then the pledge of any Net Revenues, and other moneys and securities pledged under the Indenture and all covenants, agreements and other obligations of the City to the Bondholders; will thereupon cease, terminate and become void and be discharged and satisfied.

Bonds or interest installments for payment or redemption of which moneys will have been set aside and will be held in trust by the Paying Agents (through deposit by the City of funds for such payment or redemption or otherwise) at the maturity or redemption date thereof will be deemed to have been paid within the meaning and with the effect expressed in the Indenture. All Outstanding Bonds of any Series will prior to the maturity or redemption date thereof be deemed to have been paid if (i) in case any of said Bonds are to be redeemed on any date prior to their maturity, the City will have given to the Trustee in form satisfactory to it irrevocable instructions to mail as provided in the Indenture notice of redemption of such Bonds on said date; (ii) there will have been deposited with the Trustee either moneys in an amount which will be sufficient, or Government Securities the principal of and the interest on which when due will provide money which, together with the moneys, if any, deposited with the Trustee at the same time, will be sufficient, to pay when due the principal and premium, if applicable, and interest due and to become due on said Bonds on and prior to the redemption date or maturity date thereof, and all necessary and proper fees, compensation and expenses of the Trustee and Paying Agents pertaining to the Bonds with respect to which such deposit is made will have been paid or the payment thereof provided for to the satisfaction of the Trustee and Paying Agents, respectively, as the case may be; and (iii) in the event said Bonds are not by their terms subject to redemption within the next succeeding sixty days, the

City will have given the Trustee in form satisfactory to it irrevocable instructions to mail, as soon as practicable, to the Owners of such Bonds notice that the deposit required by (ii) above has been made with the Trustee and that said Bonds are deemed to have been paid in accordance with the Indenture and stating such maturity or redemption date upon which moneys are to be available for the payment of the principal or Redemption Price, if applicable, on said Bonds.

Anything in the Indenture to the contrary notwithstanding, any moneys held by a Fiduciary in trust for the payment and discharge of any of the Bonds which remain unclaimed for six years after the date when such Bonds have become due and payable, either at their stated maturity dates or by call for earlier redemption, if such moneys were held by the Fiduciary at such date, or for six years after the date of deposit of such moneys if deposited with the Fiduciary after the said date when such Bonds became due and payable, will, unless otherwise provided by law, at the written request of the City, be repaid by the Fiduciary to the City, as its absolute property and free from trust, and the Fiduciary will thereupon be released and discharged with respect thereto and the Bondholders will look only to the City for the payment of such Bonds; provided, however, that before being required to make any such payment to the City and the Fiduciary will, at the expense of the City, cause to be mailed to the Owner of each unpaid Bond, at the address of such Owner as set forth on the Bond register maintained by the Trustee, a notice that said moneys remain unclaimed and that, after a date named in said notice, which date will not be less than 45 days after the date of the mailing of such notice, the balance of such moneys then unclaimed will be returned to the City.

After payment in full of the principal of, redemption premium, if any, and interest on any Series of Bonds (or after provision has been made for the payment thereof as provided in the Indenture), the fees, charges and expenses of the Trustee and Paying Agent, and any other amounts required to be paid under the Indenture relating to such Series of Bonds, all amounts remaining in the accounts or sub-accounts established with the Trustee for such Series of Bonds shall be transferred to the various sub-accounts of the Debt Service Account for the Outstanding Bonds, as directed by the City, unless otherwise directed in a Supplemental Indenture adopted in accordance with the Indenture.

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## **APPENDIX D**

### **Summary of Certain Provisions of the Use Agreements and the Operating Agreements**

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## APPENDIX D

### SUMMARY OF CERTAIN PROVISIONS OF THE USE AGREEMENTS AND THE OPERATING AGREEMENTS

**The following is a summary of certain provisions of the Use Agreements, the Operating Agreements and the Cargo Addenda. This summary does not purport to be complete or definitive and reference is made to the Use Agreements, the Operating Agreements and the Cargo Addenda for a complete recital of the terms of such documents.**

In 2006, the City entered into substantially identical Airport Use and Lease Agreements (individually with respect to each air carrier, a “Use Agreement” and, collectively, the “Use Agreements”) or Airline Operating Agreements and Terminal Space Use Permits (individually with respect to each air carrier, an “Operating Agreement,” and collectively, the “Operating Agreements”) and, when applicable, a corresponding Cargo Addenda (individually with respect to each air carrier, a “Cargo Addendum”, and collectively, the “Cargo Addenda”) with all major and regional air carriers serving the Airport, thereby replacing the previous airline use agreements that had been in place since 1965. A technical amendment to the Use Agreements was made in March 2008 which clarified the terms under which the airlines would be eligible for landing fee rate mitigation by setting out the specific amount of landed weight as the basis for rate mitigation.

*Airport Use and Lease Agreement.* The term of the first executed Use Agreement began on January 1, 2006. Each Use Agreement will expire on June 30, 2011, unless earlier terminated by the City for non-performance or default. An air carrier may terminate its Use Agreement if the City fails to keep any material promise or covenant, or if the air carrier is denied the right to operate at the Airport by a governmental agency with competent jurisdiction or, under certain circumstances, if the air carrier is prevented from conducting its air transportation business at the Airport for an extended period of time. The terms of the Use Agreements may be extended by mutual agreement of the parties.

Air carriers operating at the Airport pursuant to the Use Agreements are referred to as “Signatory Airlines.” The Use Agreements grant the Signatory Airlines the right to use the airfield and, as applicable, use and lease certain areas in the passenger terminal buildings, including Concourses, and related facilities for the business of air transportation with respect to persons, property, cargo and mail. The Use Agreements also provide for the payment of certain rentals, fees and charges by the Signatory Airlines, and, under certain circumstances, the application of the landing fee rate mitigation (as discussed below) for the benefit of the airlines. Signatory Airlines that operate from the passenger terminal buildings at the Airport may, but are not required to, lease space in the terminal buildings.

*Participating Airlines.* A Signatory Airline may elect to become a “Participating Airline” by committing to pay a minimum of \$100,000 per year in rents, fees and charges throughout the term of its Use Agreement. Participating Airlines have a limited right to review and approve certain capital improvement projects at the Airport, as well as the right to participate in the Airport's annual rate setting process (budget review and comment; meet and confer over rents, fees and charges), and, under certain circumstances, are eligible for a waiver of the security deposit requirements of their respective Use Agreements. Participating Airlines may designate certain non-signatory airlines as their “Affiliates.” Affiliates enjoy some, but not all, of the benefits of Signatory Airlines.

*Airlines Rates and Charges Methodology.* The Use Agreements set forth the methodology for computing the user fees and space rentals chargeable to the air carriers. Rentals, fees and charges are assessed to the Signatory Airlines and the other air carriers using the Airport to support the primary activities of the Airport - the airfield and the terminal buildings (including the West Terminal and the East

Terminal). The Use Agreements permit the City to adjust rental rates for each rate period to reflect overpayments and underpayments that occurred during the preceding rate period, and, to the extent necessary, replenish reasonable reserves for uncollected revenues.

*Landing Fees.* Under the terms of the Use Agreements, the Airport landing fees are computed based on a cost center residual rate methodology. In calculating the annual landing fee rate, the total costs of the Airfield are first calculated by adding the following costs for such year allocable to the Airfield Cost Center:

- direct and indirect Operation and Maintenance Expenses;
- amortization of equipment and capital improvements with a net cost of \$100,000 or less (“Capital Outlays”) put into service on or after July 1, 1997, but before January 1, 2006;
- Capital Outlays put into service on or after January 1, 2006;
- depreciation and interest charges attributable to each capital improvement with a net cost in excess of \$100,000 (the “Capital Improvement”) put into service before July 1, 1997;
- amortization of each Capital Improvement put into service on or after July 1, 1997;
- amortization of land investment made on or after July 1, 1997;
- 4% annual interest on the net cost of land investment made prior to July 1, 1997; and
- any replenishment of the Debt Service Reserve Account and the Renewal and Replacement Fund, as may be required by the Indenture.

The “Airfield Requirement” is then calculated by subtracting the following revenue items from the total costs allocable to the Airfield Cost Center:

- non-signatory airline landing fees;
- general aviation landing fees, if any;
- military use fees, if any; and
- fuel flowage fees.

Based on the Airfield Requirement, two different landing fee rates are then calculated:

- the “Unmitigated Landing Fee Rate” – by dividing the Airfield Requirement by the aggregate landed weight of all Signatory Airlines for the particular Fiscal Year; and
- the “Mitigated Landing Fee Rate” – by subtracting from the Airfield Requirement an amount equal to the amount transferred from the Airport Contingency Fund into the Airport Revenue Fund (if any) for landing fee rate mitigation, and then dividing such Mitigated Airfield Requirement by the aggregate landed weight of all Signatory Airlines for the particular Fiscal Year.

The landing fee rate applicable to non-signatory airlines that have signed an Operating Agreement is equal to the landing fee rate calculated in accordance with the Use Agreements. The landing fee payable by each air carrier is then calculated by multiplying that air carrier's actual landed weight for the period in question, by the Unmitigated Landing Fee Rate or the Mitigated Landing Fee Rate, whichever is applicable.

*Terminal Building Space Rentals.* The Use Agreements establish two passenger terminal building cost centers: the East Terminal Cost Center (including the East Terminal, the International Facilities and the three easternmost gates in Concourse D), and the West Terminal Cost Center (including the main terminal and Concourses A, B, C and all but the four easternmost gates in Concourse D). Under the terms of the Use Agreements, Signatory Airlines are charged terminal building

rental rates computed based on a compensatory rate methodology. In calculating the annual rental rate for each terminal cost center, the total annual costs are first calculated by adding the following costs allocable to each terminal cost center;

- direct and indirect Operation and Maintenance Expenses;
- amortization of Capital Outlays put into service on or after July 1, 1997, but before January 1, 2006;
- Capital Outlays put into service on or after January 1, 2006;
- depreciation and interest charges attributable to each Capital Improvement put into service before July 1, 1997;
- amortization of each Capital Improvement put into service on or after July 1, 1997;
- fifty percent (50%) of the total costs in the terminal roadways allocated between each of the terminal buildings based on the ratio that the usable space in each of the terminal buildings is to the aggregate usable space in all terminal buildings; and
- any replenishment of the Debt Service Reserve Account and the Renewal and Replacement Fund, as may be required by the Indenture.

The total costs attributable to each of the terminal buildings is then reduced by the amount of rent payable for apron-level unenclosed space to derive the net cost attributable to each of the terminal buildings. The annual terminal rental rates applicable to the East Terminal Cost Center and the West Terminal Cost Center are then calculated by dividing the net costs attributable to each terminal building by the usable space in each of the respective terminal buildings. Each Signatory Airline pays an annual rent (payable monthly) for the use of its leased premises, if any, equal to the applicable annual terminal rental rate multiplied by the amount of the leased space.

In accordance with the terms of the Use Agreements, the City establishes annually a space use fee applicable to non-signatory airlines equal to 125% of the terminal rental rate payable by the Signatory Airlines in each terminal building.

*Airline Review and Approval of Capital Projects.* Exhibit F to the Use Agreements incorporate all projects in the Airport's 5-year capital improvement program in place as of the effective date of the Use Agreements and provide that the City may proceed – without additional review from the Participating Airlines – with any of the projects listed in Exhibit F, and that the amortization of the net costs of such projects are to be included in the rates, fees, and charges payable by the air carriers. The projects listed in Exhibit F to the Use Agreements include planning services; security enhancements; and projects in the airfield, terminal, landside, and support facilities. In the aggregate, these projects are estimated to cost \$153 million, and are expected to be funded through a combination of federal grants-in-aid, passenger facility charges, Airport Development Funds, and future debt.

In addition, the City may undertake and recover the net costs attributable to a project not included in Exhibit F if the project is either; (i) considered to be a Capital Outlay; (ii) part of a long-term solution to baggage screening for which the City receives no less than 75% of the cost of such project in federal grants-in-aid; or (iii) undertaken (a) to comply with laws and regulations, (b) to comply with the requirements of the Indenture, (c) as an emergency project, (d) to settle claims, satisfy judgments or to comply with judicial orders, (e) to repair casualty damage of the Airport, (f) to mitigate noise as part of a Part 150 program, (g) to conduct environmental investigations and remediation, (h) for safety reasons, or (i) as a project intended to substitute for any of the projects listed in Exhibit F (with certain limitations).



Under the provisions of the Use Agreements, the City must present a capital improvement project to the Participating Airlines for review and discussion if it is a project identified in Exhibit F whose actual cost is 110% greater than the pre-approved cost, or if it is a project not otherwise excluded from the review requirements as outlined above. Following such presentation, the City may proceed with the project and include the appropriate amortization of the net costs in the rate base unless a Majority-in-Interest ("MI") notifies the City that the project is disapproved. For purposes of project review, an MI is deemed to be 66.66% of the Participating Airlines operating at the affected cost center that, within the immediately preceding Fiscal Year, have paid no less than 66.66% of the rents, fees, and charges applicable to that cost center.

*Airline Operating Agreements and Terminal Building Space Permits.* The Operating Agreements are month-to-month operating permits that may be terminated by either party by providing the other party 30-day written notice. Air carriers electing to operate at the Airport under the Operating Agreements are considered to be "non-signatory" airlines. The Operating Agreements are short-term permits intended to provide flexibility for charter airlines, new entrants desiring to test the market, and regional airlines that operate at the airport under a contract with other air carriers. Air carriers operating at the Airport pursuant to Operating Agreements are subject to the same landing fee rate as the Signatory Airlines, and are entitled to the benefits of any landing fee rate mitigation. A passenger air carrier that signs an Operating Agreement and requests space in one of the terminal buildings pays a space use fee that is 125% of the terminal rental rate payable by the Signatory Airlines (unless the Operating Agreement airline is designated as an Affiliate by a Participating Airline, in which case its space use fee is calculated using the same terminal rental rate applicable to the Signatory Airlines).

*Allocation of Space in the Terminal Buildings.* Neither the Use Agreements nor the Operating Agreements require an air carrier to lease space in the Airport terminal buildings as a condition precedent to entering into either of those agreements. Signatory Airlines may lease space in the terminal buildings, including exclusive use space and preferential use space. As noted below, air carriers that sign an Operating Agreement may also receive a month-to-month space permit. All gates in the passenger terminal buildings have been designated as preferential use space. In accordance with the Use Agreements, a Signatory Airline's right to a preferential gate is subject to an average gate utilization requirement (by that air carrier and/or its Affiliate or partner airlines if applicable) of four flight departures each day from that gate. A Signatory Airline that fails to meet the average gate utilization during any given six-month period may be required to relinquish its preferential rights to one or more gates. In addition, under the provisions of the Use Agreements, the City retains the right to accommodate requesting air carriers (either new entrants or incumbents in need of more gate space) in an air carrier's preferential use gates if similar space cannot be found elsewhere in one of the terminal buildings. Finally, in accordance with the provisions of the Use Agreements and the Operating Agreements, the City retains the right to consolidate, force relinquishment, and/or relocate airline leased space, both preferential use and exclusive space, under certain circumstances and following agreed upon criteria.

*Itinerant Air Carriers.* The City has retained under its exclusive control three gates throughout the terminal buildings where itinerant air carriers can be accommodated and handled by a gate agent. The Airport Commission has established a schedule of fees and charges for the use of the Airport, including the use of the airfield, space in the terminal buildings, and hangars, applicable to all users of the Airport whose activities are not governed by a contract, lease, or agreement, such as a Use Agreement or an Operating Agreement.

*Airport Maintenance.* Under the terms of both the Use Agreements and the Operating Agreements, the City is required to maintain and keep in good repair all of the public areas and facilities of the Airport, including the structures associated with the terminal buildings, the utility systems within the Airport, and all other common use systems owned and operated by the City. For their part, the Signatory Airlines and the air carriers operating at the Airport pursuant to an Operating Agreement are individually required to repair and maintain in good condition the premises leased or assigned to each of them, including that portion of the utility systems serving each of their exclusive use facilities.

*Cargo Addendum.* Cargo air carriers may elect to operate under either a Use Agreement or an Operating Agreement, but must execute the applicable cargo addendum which prohibits cargo air carriers from operating from the Airport's passenger terminal buildings. Among other things, the cargo addenda for the Use Agreements and the Operating Agreements require cargo air carriers to arrange for operating space at the Airport separately with the City or with a third-party Airport tenant whose rights include providing such space.

*Other Air Carrier Facilities.* The City also has available throughout the Airport, and leases to individual air carriers, space suitable for maintenance activities, cargo operations, and other related facilities. Rental rates for these facilities are adjusted from time-to-time to reflect their fair market value.

*Landing Fee Rate Mitigation* A significant reduction in air traffic activity at the Airport — caused in large part by the reduction in American Airlines' operations in November 2003 and cost increases resulting from the opening of the new runway in April 2006 — resulted in a substantial reduction in total aircraft landed weight and placed considerable upward pressure on landing fee rates. In order to mitigate future increases in landing fee rates and to provide a more cost-effective operating environment for airlines serving the Airport, the use agreements provide for a Landing Fee Rate Mitigation Program (the "Rate Mitigation Program") pursuant to which it committed to provide, subject to the availability of funds and annual appropriations by the Board of Aldermen, up to \$40 million from internal resources of the Airport, including funds from the Contingency Fund under the Indenture, for landing fee rate mitigation over the term of the Use Agreements. Subsequently the City provided \$6,000,000 under the Rate Mitigation Program for FY 2007 and \$5,000,000 for FY 2008. Based on current forecasts, the City does not expect to provide any additional funds under this Program.

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**APPENDIX E**  
**DTC Information**

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## Appendix E

### Book-Entry System for the Series 2009 Bonds

*The information provided immediately below concerning DTC and the Book-Entry System, as it currently exists, has been obtained from DTC and is not guaranteed as to accuracy or completeness by, and is not to be construed as a representation by, the Underwriters or the City. The Underwriters and the City make no assurances that DTC, Direct Participants, Indirect Participants or other nominees of the Beneficial Owners will act in accordance with the procedures described below or in a timely manner.*

#### Book-Entry Only System

The Depository Trust Company (“DTC”), New York, New York, will act as securities depository for the Bonds. The Bonds will be issued as fully-registered securities registered in the name of Cede & Co. (DTC’s partnership nominee). One fully-registered Bonds certificate will be issued for the Bonds, in the aggregate principal amount of such issue, and will be deposited with DTC or its agent.

DTC will act as securities depository for the Bonds. The Bonds will be issued as fully-registered Bonds registered in the name of Cede & Co. (DTC’s partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully registered Bond will be issued for each maturity of each issue of the Bonds, each in the aggregate principal amount of such maturity of the Bonds and will be deposited with DTC.

DTC, the world’s largest securities depository, is a limited-purpose trust company organized under the New York Banking Law, a “banking organization” within the meaning of the New York Banking Law, a member of the Federal Reserve System, a “clearing corporation” within the meaning of the New York Uniform Commercial Code, and a “clearing agency” registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934, as amended. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments (from over 100 countries) that DTC’s participants (“**Direct Participants**”) deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants’ accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation (“**DTCC**”). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly (“**Indirect Participants**”). DTC has Standard & Poor’s highest rating: AAA. The DTC Rules applicable to its Participants are on file with the Securities and

Exchange Commission. More information about DTC can be found at [www.dtcc.com](http://www.dtcc.com) and [www.dtc.org](http://www.dtc.org).

Purchases of the Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Bonds on DTC's records. The ownership interest of each actual purchaser of each Bond (the "**Beneficial Owner**") is in turn to be recorded on the Direct Participants' and Indirect Participants' records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Bonds are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in the Bonds, except in the event that use of the book-entry system for the Bonds is discontinued.

To facilitate subsequent transfers, all Bonds deposited by Direct Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co., or such other name as may be requested by an authorized representative of DTC. The deposit of Bonds with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Bonds; DTC's records reflect only the identity of the Direct Participants to whose accounts such Bonds are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time.

Redemption notices shall be sent to DTC. If less than all of the Bonds are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such issue to be redeemed.

Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to the Bonds unless authorized by a Direct Participant in accordance with DTC's MMI Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the City as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts the Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Principal and interest payments on the Bonds and redemption proceeds will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from the Trustee on payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name,"

and will be the responsibility of such Direct Participant and not of DTC, the Trustee or the City, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of principal and interest and redemption proceeds to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the Trustee, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct Participants and Indirect Participants.

DTC may discontinue providing its services as securities depository with respect to the Bonds at any time by giving reasonable notice to the State or the Trustee. Under such circumstances, in the event that a successor depository is not obtained, Bonds are required to be printed and delivered.

The City may determine to discontinue the system of book-entry transfers through DTC (or a successor securities depository). In such event, the Bonds are to be printed and delivered to DTC.



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## **APPENDIX F**

### **Form of Opinion of Co-Bond Counsel**

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## APPENDIX F

### FORM OF OPINION OF CO-BOND COUNSEL

July \_\_, 2009

The City of St. Louis, Missouri  
St. Louis, Missouri

Ladies and Gentlemen:

We have acted as co-bond counsel to the City of St. Louis, Missouri (the “City”) in connection with the issuance by the City of its \$107,240,000 Airport Revenue Bonds, Series 2009A-1 (Lambert-St. Louis International Airport) and \$22,730,000 Airport Revenue Bonds, Series 2009A-2 (Lambert-St. Louis International Airport) (together, the “Series 2009 Bonds”).

We have reviewed the record of proceedings related to the issuance of the Series 2009 Bonds, including the Constitution and statutes of the State of Missouri (the “State”), including particularly, Chapter 108.170 of the Revised Statutes of Missouri, as amended, the Charter of the City (the “Charter”), Ordinance No. 68197, adopted by the Board of Aldermen on December 5, 2008, approved by the Mayor on December 8, 2008, and Ordinance No. 68358, adopted by the Board of Aldermen on June 5, 2009, approved by the Mayor on June 8, 2009 (together, the “Ordinance”), and an Indenture of Trust between the City and UMB Bank, N.A., as trustee (the “Trustee”), dated as of October 15, 1984, as amended and restated by the Amended and Restated Indenture of Trust, dated as of July 1, 2009 (the “Restated Indenture”), as supplemented and amended, including by the Sixteenth Supplemental Indenture of Trust, dated as of July 1, 2009 (collectively, the “Indenture”), the Tax Certificate of the City dated as of the date hereof (the “Tax Certificate”) and such other matters of fact and law as we have deemed necessary to enable us to render the opinions contained herein. Capitalized terms used and not defined herein shall have the same meanings given to such terms in the Indenture.

The Internal Revenue Code of 1986, as amended (the “Code”) imposes certain requirements that must be met on the date of issuance of the Series 2009 Bonds and on a continuing basis subsequent to the issuance of the Series 2009 Bonds in order for interest on the Series 2009 Bonds to be excluded from gross income for federal income tax purposes under Section 103 of the Code. Such requirements include, but are not limited to, requirements relating to private use limitations and yield restriction of certain funds. The City has covenanted in the Indenture and the Tax Certificate (i) that so long as it owns the Airport, it will take no action with respect to the 2009 Project that will impair the exemption of interest on the Series 2009 Bonds from federal income taxes, (ii) that it will comply with the provisions and procedures set forth in the Tax Certificate and (iii) that it will do and perform all acts and things necessary or desirable in order to assure that under the Code, as presently in force and effect, interest on the Series 2009 Bonds will, for purposes of federal income taxation, be excludable from gross income of the recipients thereof pursuant to Section 103 of the Code.

We have examined the law and such certified proceedings and other papers as we have deemed necessary to render the following opinions. In rendering the following opinions we have assumed the genuineness of all signatures, the authenticity of all documents tendered to us as originals and the conformity to original documents of all documents submitted to us as certified or photostatic copies. As to questions of fact material to our opinion, we have relied upon representations of the City and we have relied upon the certified proceedings and other certifications and documents furnished to us without undertaking to verify the same by independent investigation, including, without limitation, the Report of the Airport Consultant dated June 30, 2009, with respect to the Airport.

We have not been engaged, or undertaken, to review the accuracy, completeness or sufficiency of the Official Statement relating to the Series 2009 Bonds or other offering material relating to the Series 2009 Bonds and we express no opinion herein relating to any such matters.

For purposes of this opinion, we have assumed that the Indenture (other than the Restated Indenture and the Sixteenth Supplemental Indenture) has been duly and lawfully executed and delivered by the parties thereto and is in full force and effect.

Based upon the foregoing, we are of the opinion, under existing law, as follows:

1. The Series 2009 Bonds have been duly authorized, executed and delivered by the City in accordance with the Constitution and statutes of the State of Missouri and the Charter and are valid and binding special and limited obligations of the City, payable solely from the sources provided therefor in the Indenture. The Series 2009 Bonds and the interest thereon do not constitute a pledge of the faith and credit of the City, the State or any political subdivision of the State.

2. The Ordinance has been duly and lawfully adopted by the City, is in full force and effect, and is valid and binding upon the City and enforceable against the City in accordance with its terms.

3. The Sixteenth Supplemental Indenture has been duly authorized, executed and delivered by the City and, assuming due authorization, execution and delivery by the other party thereto, constitutes the valid and binding obligation of the City in accordance with its terms.

4. The Indenture creates the valid pledge which it purports to create of the moneys, securities and funds included in the Trust Estate and of all Revenues subject to the application thereof for the purposes and on the conditions permitted by the Indenture.

5. Based upon existing law, interest on the Series 2009 Bonds is excluded from the gross income of the owners of the Series 2009 Bonds for federal income tax purposes, except that no opinion is expressed as to the status of interest on any Series 2009 Bond for any period that such Series 2009 Bond is held by a "substantial user" of the facilities financed or refinanced

by the Series 2009 Bonds or by a “related person” within the meaning of Section 147(a) of the Code. In addition, interest on the Series 2009 Bonds is not a specific preference item for purposes of the federal individual or corporate alternative minimum taxes and is not included in adjusted current earnings when calculating corporate alternative minimum taxable income. In rendering the opinions set forth in this paragraph, we have assumed compliance by the City with all requirements of the Code that must be satisfied subsequent to the issuance of the Series 2009 Bonds in order that interest thereon be, and continue to be, excluded from gross income for federal income tax purposes. The City has covenanted to comply with all such requirements. Failure by the City to comply with certain of such requirements may cause interest on the Series 2009 Bonds to become included in gross income for federal income tax purposes retroactive to the date of issuance of the Series 2009 Bonds. We express no opinion regarding any other federal tax consequences arising with respect to the Series 2009 Bonds.

6. Under existing law, and subject to the assumptions set forth in the preceding paragraph, interest on the Series 2009 Bonds is excluded from Missouri taxable income for the purposes of the personal income tax and corporate income tax imposed by the State. No opinion is expressed regarding the applicability with respect to the Series 2009 Bonds or the interest on the Series 2009 Bonds of the taxes imposed by the State on financial institutions under Chapter 148 of the Revised Statutes of Missouri, as amended.

The foregoing opinions are qualified to the extent that the rights of the holders of the Series 2009 Bonds and the enforceability of the Series 2009 Bonds, the Indenture and the other documents mentioned herein are subject to and may be limited by any applicable bankruptcy, insolvency, reorganization, moratorium, or other laws in effect from time to time relating to the enforcement of creditors’ rights, and their enforcement may also be subject to the exercise of judicial discretion in appropriate cases.

We have also examined a specimen copy of the Series 2009A-1 Bonds and the Series 2009A-2 Bonds as executed by the City, and in our opinion their form and execution are regular and proper.

This opinion is expressed as of the date hereof, and we neither assume nor undertake any obligation to update, revise, supplement or restate this opinion, or to reflect any action taken or omitted, or any facts or circumstances or changes in law or in the interpretation thereof, that may hereafter arise or occur, or for any other reason.

The opinions expressed herein are based upon and limited to the laws and judicial decisions of the State, exclusive of conflicts of law provisions, and the federal laws and judicial decisions of the United States as of the date hereof and are subject to any amendment, repeal or other modification of the laws or judicial decisions that served as the basis for such opinions, and to any applicable laws or judicial decisions hereafter enacted or rendered. Our engagement by the City with respect to the opinions expressed herein does not require, and shall not be

July \_\_, 2009  
Page 4 of 4

construed to constitute, a continuing obligation on our part to notify or otherwise inform the addressee hereof of, or to update or supplement this opinion based upon, the amendment, repeal or other modification of the applicable laws or judicial decisions that served as the basis for this opinion letter or of laws or judicial decisions hereafter enacted or rendered which impact on this opinion letter.

This opinion letter is being furnished solely to the parties to whom it is addressed and may not be relied upon by any other person or quoted in whole or in part or otherwise referred to without our prior written consent. This is only an opinion letter and not a warranty or guaranty of the matters discussed herein.

Very truly yours,

## **APPENDIX G**

### **Form of the Continuing Disclosure Agreement**



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**CONTINUING DISCLOSURE AGREEMENT**

**between**

**THE CITY OF ST. LOUIS, MISSOURI**

**and**

**UMB BANK, N.A.,  
St. Louis, Missouri,  
as Dissemination Agent**

**Dated as of July 1, 2009**

**Relating to**

**\$107,240,000**

**THE CITY OF ST. LOUIS, MISSOURI  
AIRPORT REVENUE BONDS  
SERIES 2009A-1  
LAMBERT – ST. LOUIS  
INTERNATIONAL AIRPORT**

**\$22,730,000**

**THE CITY OF ST. LOUIS, MISSOURI  
AIRPORT REVENUE BONDS  
SERIES 2009A-2  
LAMBERT – ST. LOUIS  
INTERNATIONAL AIRPORT**

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## **CONTINUING DISCLOSURE AGREEMENT**

This Continuing Disclosure Agreement dated as of July \_\_, 2009 (the “Disclosure Agreement”) is executed and delivered by The City of St. Louis, Missouri (the “City”) and UMB Bank, N.A., as Dissemination Agent (the “Dissemination Agent”) in connection with the issuance of \$107,240,000 aggregate principal amount of the City’s Airport Revenue Bonds, Series 2009A-1 (Lambert – St. Louis International Airport) (the “Series 2009A-1 Bonds”) and \$22,730,000 aggregate principal amount of the City’s Airport Revenue Bonds, Series 2009A-2 (Lambert – St. Louis International Airport) (the “Series 2009A-2 Bonds” and together with the Series 2009A-1 Bonds, the “Series 2009 Bonds”). The Series 2009 Bonds are being issued pursuant to an Indenture of Trust, dated as of October 15, 1984, as amended and restated by the Amended and Restated Indenture of Trust, dated July 1, 2009, as amended and supplemented, including by the Sixteenth Supplemental Indenture of Trust dated July 1, 2009 (collectively, the “Indenture”) between the City and UMB Bank, N.A., as Trustee (the “Trustee”). In consideration of the mutual covenants and agreements herein, the City and the Dissemination Agent covenant and agree as follows:

### **SECTION 1: Purpose of the Disclosure Agreement.**

The City and the Dissemination Agent are entering into this Disclosure Agreement for the benefit of the Beneficial Owners of the Series 2009 Bonds and in order to assist the Participating Underwriters in complying with the Rule (as defined below). The City acknowledges that no other party has undertaken any responsibility with respect to any reports, notices or disclosures provided or required under this Disclosure Agreement. Any air carrier having a use agreement having a term of more than one year pursuant to which it has paid amounts equal to at least 20% of the Revenues of the Airport for each of the prior two fiscal years (or its corporate parent) may be an Obligated Person as defined in Securities and Exchange Commission (the “SEC”) Rule 15c2-12(f). As of the date of the Official Statement, American Airlines, a subsidiary of AMR Corporation and Southwest Airlines meet the criteria in the preceding sentence. American Airlines and Southwest Airlines are subject to the information reporting requirements of the Securities Exchange Act of 1934, as amended, and in accordance therewith, file reports and other information with the SEC (the “SEC Reports”), substantially equivalent to that required by the Rule. The City makes no representation with respect to, and assumes no responsibility for the accuracy or completeness of, any SEC Report filed by, or any information provided by, any air carrier meeting the criteria contained in this paragraph. The City represents that it has never failed to make any filings required by continuing disclosure undertakings with respect to any of its bonds.

### **SECTION 2: Definitions.**

In addition to the definitions set forth in the Indenture, which apply to any capitalized term used in this Disclosure Agreement unless otherwise defined in this Section, the following capitalized terms shall have the following meanings:

**“Annual Report”** means any Annual Report provided by the City pursuant to, and as described in, Sections 3 and 4 of this Disclosure Agreement.

**“Beneficial Owner”** means any person which (a) has the power, directly or indirectly, to vote or consent with respect to, or to dispose of ownership of any Series 2009 Bonds (including persons holding Series 2009 Bonds through nominees, depositories or other intermediaries), or (b) is treated as the owner of any Series 2009 Bonds for federal income tax purposes.

**“City”** means The City of St. Louis, Missouri.

**“Dissemination Agent”** means UMB Bank, N.A., acting in its capacity as Dissemination Agent hereunder, or any successor Dissemination Agent designated in writing by the City and which has filed with the City and the Trustee a written acceptance of such designation.

**“EMMA”** means the Electronic Municipal Market Access System, operated by the MSRB.

**“Listed Events”** means any of the events listed in Section 5(A) of this Disclosure Agreement.

**“MSRB”** means the Municipal Securities Rulemaking Board and any successor thereto.

**“National Repository”** means any nationally recognized municipal securities information repository for purposes of the Rule. Currently, the sole National Repository within the meaning of the Rule is the Municipal Securities Rulemaking Board through EMMA and filings shall be submitted solely at its website, <http://emma.msrb.org>.

**“Participating Underwriter”** means any of the original underwriters of the Series 2009 Bonds required to comply with the Rule in connection with the offering of the Series 2009 Bonds.

**“Official Statement”** means the Official Statement dated June 30, 2009, relating to the issuance and sale of the Series 2009 Bonds.

**“Repository”** means each National Repository and each State Repository, if any.

**“Rule”** means Rule 15c12(b)(5) adopted by the Securities and Exchange Commission under the Securities Exchange Act of 1934, as the same may be amended from time to time.

**“State”** means the State of Missouri.

**“State Repository”** means any public or private repository or entity designated by the State as a state repository for the purpose of the Rule and recognized as such by the Securities and Exchange Commission. As of the date of this Disclosure Agreement, there is no State Repository.

### **SECTION 3: Provision of Annual Reports.**

A. The City shall, or shall cause the Dissemination Agent to, not later than 210 days after the end of the City's fiscal year (presently June 30) commencing with the report for the 2009 Fiscal Year, provide to each Repository an Annual Report which is consistent with the requirements of Section 4 of this Disclosure Agreement. In each case, the Annual Report may be submitted as a single document or as separate documents comprising a package, and may cross-reference other information as provided in Section 4 of this Disclosure Agreement; provided that the audited financial statements of the City may be submitted separately from the balance of the Annual Report and later than the date required above for the filing of the Annual Report if they are not available by that date. If the City's fiscal year changes, it shall give notice of such change in the same manner as for a Listed Event under Section 5(A) of this Disclosure Agreement.

B. Not later than fifteen (15) Business Days prior to the date specified in Subsection A above for providing the Annual Report to the Repositories, the City shall either provide the Annual Report to the Dissemination Agent with instructions to file the Annual Report as specified in Subsection A above or provide a written certification to the Dissemination Agent and the Trustee (if not the Dissemination Agent) that the City has provided the Annual Report to the Repositories).

C. If the Dissemination Agent is unable to verify that an Annual Report has been provided to the Repositories by the date in Subsection A, the Dissemination Agent shall send a notice to each Repository (the Municipal Securities Rulemaking Board and the State Repository, if any) in substantially the form as **Exhibit A** hereto.

D. The Dissemination Agent shall:

1. determine each year prior to the date for providing the Annual Report the name and address of each National Repository and the State Repository, if any;

2. unless the City has certified in writing that the City has provided the Annual Report to the Repositories, promptly following receipt of the Annual Report and the instructions required by Subsection B above, provide the Annual Report to the Repositories and file a report with the City and the Trustee (if the Dissemination Agent is not the Trustee) certifying that the Annual Report has been provided pursuant to this Disclosure Agreement, stating the date it was provided, and listing all the Repositories to which it was provided or that the City has certified that it filed the Annual Report; and

3. unless the City has provided the Annual Report as provided above, notify the City in each year not later than 90 days and again not later than 30 days prior to the date for providing the Annual Report to the Repositories, of the date on which its Annual Report must be provided to the Dissemination Agent or Repositories.

### **SECTION 4: Content of the Annual Report.**

The City's Annual Report will contain or include by reference the following:

(1) The audited financial statements of the Airport for the prior fiscal year, prepared in accordance with generally accepted accounting principles as promulgated from time to time by the Financial Accounting Standards Board. If the Airport's audited financial statements are not available by the time the Annual Report is required to be filed pursuant to the Disclosure Agreement, the Annual Report will contain unaudited financial statements in a format similar to the financial statements contained in the final Official Statement, and the audited financial statements will be filed in the same manner as the Annual Report when they become available.

(2) The following statistical and operating data of the Airport, updated for the City's prior Fiscal Year

a) The list of Signatory Air Carriers, Non-Signatory Air Carriers and Air Cargo Carriers at the Airport;

b) The table captioned "Airport Revenues and Expenses and Certain Bond Related Data" contained in the Official Statement in the section "AIRPORT FINANCIAL INFORMATION - Revenues and Expenses";

c) The rate and amount of PFCs assessed and collected by the City;

d) A table reflecting "O&D AND CONNECTING ENPLANEMENTS" comparable to the table contained in the Official Statement;

e) A table reflecting "AIRLINE MARKET SHARE" comparable to the table in the Official Statement;

f) A table reflecting "SUMMARY OF SIGNATORY AIRLINE REVENUES, COST PER ENPLANED PASSENGER AND RATES" comparable to the table in the Official Statement;

g) A table reflecting "HISTORICAL OPERATION AND MAINTENANCE EXPENSES -" comparable to Table V-5 in APPENDIX A - "Review of the Airport Consultant" in the Official Statement; and

h) A table reflecting "CALCULATION OF ANNUAL DEBT SERVICE COVERAGE" (actual only) comparable to Table V-8 in APPENDIX A - "Review of the Airport Consultant" in the Official Statement.

Any or all of the items listed above may be included by specific reference to other documents, including official statements of issues with respect to which the City is an "obligated person," which have been filed with each of the Repositories, the MSRB or the SEC. If the document included by reference is a final official statement, it must be available from the MSRB and clearly identified as such by the City.

### **SECTION 5: Reporting of Significant Events.**

A. Pursuant to the provisions of this Section, the City shall give, or cause to be given, notice of the occurrence of any of the following events with respect to the Series 2009 Bonds, if material:

1. principal and interest payment delinquencies;
2. non-payment related defaults;
3. modifications to rights of Bondholders;
4. optional, contingent or unscheduled bond calls;
5. defeasance;
6. rating changes;
7. adverse tax opinions or events affecting the tax-exempt status of the Series 2009 Bonds;
8. unscheduled draws on debt service reserves reflecting financial difficulties;
9. unscheduled draws on credit enhancements reflecting financial difficulties;
10. substitution of credit or liquidity providers, or their failure to perform; or
11. release, substitution or sale of property securing repayment of the Series 2009 Bonds.

B. The Dissemination Agent shall, within one (1) Business Day of obtaining actual knowledge of the occurrence of any Listed Event, contact the City, inform such person of the event, and request that the City promptly notify the Dissemination Agent in writing whether or not to report the event pursuant to Subsection F below.

C. Whenever the City obtains knowledge of the occurrence of a Listed Event, because of a notice from the Dissemination Agent pursuant to Subsection B above or otherwise, the City shall as soon as possible determine if such event would be material under applicable federal securities laws.

D. If knowledge of the occurrence of a Listed Event would be material under applicable federal securities laws, the City shall promptly notify the Dissemination Agent in writing. Such notice shall instruct the Dissemination Agent to report the occurrence pursuant to Subsection F below.

E. If in response to a request under Subsection B above, the City determines that the Listed Event would not be material under applicable federal securities laws, the City shall so notify



the Dissemination Agent in writing and instruct the Dissemination Agent not to report the occurrence pursuant to Subsection F below.

F. If the Dissemination Agent has been instructed by the City to report the occurrence of a Listed Event, the Dissemination Agent shall file a timely notice of such occurrence with the National Repositories and each State Repository with a copy to the City.

#### **SECTION 6: EMMA.**

The Dissemination Agent shall use EMMA for the submission of Annual Reports and Listed Events for so long as EMMA is recognized, authorized or approved by the Securities and Exchange Commission. Submission of an Annual Report or a Listed Event by the Dissemination Agent to EMMA shall be deemed to satisfy the Dissemination Agent's obligations under this Disclosure Agreement with respect to that Annual Report or Listed Event.

#### **SECTION 7: Termination of Reporting Obligations.**

The City's obligations under this Disclosure Agreement shall terminate upon the legal defeasance, prior redemption or payment in full of all the Series 2009 Bonds. If the City's obligations under the Indenture are assumed in full by another entity, such entity shall be responsible for compliance with this Disclosure Agreement in the same manner as if it were the City, and the City shall have no further responsibility hereunder. If such termination or substitution occurs prior to the final maturity of the Series 2009 Bonds, the City shall give notice of such termination or substitution in the same manner as for a Listed Event under Section 5(A) of this Disclosure Agreement.

#### **SECTION 8: Dissemination Agent.**

The City may, from time to time, appoint or engage a Dissemination Agent to assist it in carrying out its obligations under the Disclosure Agreement, and may discharge any such Dissemination Agent, with or without appointing a successor Dissemination Agent. The Dissemination Agent shall not be responsible in any manner for the content of any notice or report prepared by the City pursuant to the Disclosure Agreement. The Dissemination Agent may resign at any time by providing 30 days written notice to the City. The Dissemination Agent also will have no duty or obligation to determine the materiality of the listed events and will not be deemed to be acting in any fiduciary capacity for the City, any Beneficial Owner or any other party. If at any time there is no other designated Dissemination Agent, the Trustee will be the Dissemination Agent. The initial Dissemination Agent shall be UMB Bank, N.A.

#### **SECTION 9: Amendment; Waiver.**

Notwithstanding any other provision of this Disclosure Agreement, the City and the Dissemination Agent may amend this Disclosure Agreement (and the execution of such amendment by the Dissemination Agent so requested by the City shall not be unreasonably withheld) and any provision of this Disclosure Agreement may be waived, provided that the following conditions are satisfied:

1. If the amendment or waiver relates to the provisions of Sections 3A, 4 or 5A of this Disclosure Agreement, it may only be made in connection with a change in circumstances that arises from a change in legal requirements, change in law, rule or regulation or change in the identity, nature or status of an obligated person with respect to the Series 2009 Bonds, or the type of business conducted;

2. The undertaking, as amended or taking into account such waiver, should, in the Opinion of Co-Bond Counsel, have complied with the requirements of the Rule at the time of the original issuance of the Series 2009 Bonds, after taking into account any amendments or interpretations of the Rule, as well as any change in circumstances; and

3. The amendment or waiver either (i) is approved by the Bondholders of the Series 2009 Bonds in the same manner as provided in the Indenture for amendments to the Indenture with the consent of Bondholders, or (ii) in the Opinion of Co-Bond Counsel, does not materially impair the interests of the Bondholders or Beneficial Owners of the Series 2009 Bonds.

In the event of any amendment or waiver of a provision of this Disclosure Agreement, the City shall describe such amendment in the next Annual Report, and shall include, as applicable, a narrative explanation of the reason for the amendment or waiver and its impact on the type (or, in the case of a change of accounting principles, on the presentation) of financial information or operating data being presented by the City. In addition, if the amendment relates to the accounting principles to be followed in preparing financial statements, (i) notice of such change shall be given in the same manner as for a Listed Event under Section 4 of this Disclosure Agreement, and (ii) the Annual Report for the year in which the change is made should present a comparison (in narrative form and also, if feasible, in quantitative form) between the financial statements as prepared on the basis of the new accounting principles and those prepared on the basis of the former accounting principles.

#### **SECTION 10: Additional Information.**

Nothing in this Disclosure Agreement shall be deemed to prevent the City from disseminating any other information, using the means of dissemination set forth in this Disclosure Agreement or any other means of communication, or including any other information in any Annual Report or notice of the occurrence of a Listed Event, in addition to that which is required by this Disclosure Agreement, provided that the City shall have no obligation under this Disclosure Agreement to update such information or include it in any future Annual Report or notice of the occurrence of a Listed Event.

Unless no longer required by the SEC Rule 15c2-12, the City will use reasonable efforts to cause each Obligated Person other than the City, if any (to the extent that such Obligation Person is not otherwise required to file SEC reports), to provide the City annual information substantially equivalent to that contained in SEC reports. The City will also use reasonable efforts to include in any future amendments to Use Agreements a provision requiring air carriers to provide information

to the City to enable the City, if necessary, to comply with the Rule. In the event that any such Obligated Person fails to provide to the City annual information substantially equivalent to that contained in SEC reports or the City does not obtain the provisions in any future amendments to the Use Agreements, the City shall not be in default under this Disclosure Agreement.

#### **SECTION 11: Default.**

In the event of a failure of the City or the Dissemination Agent to comply with any provision of this Disclosure Agreement, the Trustee may (and, upon receipt of satisfactory indemnity and at the request of any Participating Underwriter or the Bondholders or Beneficial Owner of at least 25% aggregate principal amount of Outstanding Bonds, shall), or any Bondholder or Beneficial Owner of at least 25% aggregate principal amount of the Series 2009 Bonds may, take such action as may be necessary and appropriate, including seeking mandamus or specific performance by court order, to cause the City or the Dissemination Agent, as the case may be, to comply with its obligations under this Disclosure Agreement. A default under this Disclosure Agreement shall not be deemed to be an Event of Default under the Indenture or with respect to the Series 2009 Bonds, and the sole remedy under this Disclosure Agreement in the event of any failure of the City or the Dissemination Agent to comply with this Disclosure Agreement shall be action to compel performance.

#### **SECTION 12: Duties, Immunities and Liabilities of Trustee and Dissemination Agent.**

The Dissemination Agent shall have only such duties as are specifically set forth in this Disclosure Agreement, and, to the extent permitted by applicable law, the City hereby indemnifies and saves the Dissemination Agent, its officers, directors, employees and agents, harmless against any loss, expense and liabilities which it may incur arising out of or in the exercise or performance of its powers and duties hereunder, including the costs and expenses (including reasonable attorneys fees and expenses) of defending against any claim of liability, but excluding liabilities due to the Dissemination Agent's negligence or willful misconduct. The obligations of the City under this Section shall survive resignation or removal of the Dissemination Agent and payment of the Series 2009 Bonds.

#### **SECTION 13: Notices.**

Any notices or communications to or among any of the parties to this Disclosure Agreement may be given as follows:

To the Airport:

Lambert-St. Louis International Airport  
P. O. Box 10212  
10701 Lambert International Drive  
St. Louis, MO 63145  
Telephone: 314-426-8057  
Fax: 314-426-8060

To the City:

The City of St. Louis, Missouri  
City Hall, Room 212  
1200 Market Street  
St. Louis, Missouri 63103  
Attention: Comptroller  
Telephone/Fax: 314-588-0550

With copy to:

The City of St. Louis, Missouri  
City Hall, Room 314  
1200 Market Street  
St. Louis, Missouri 63103  
Attention: City Counselor  
Telephone/Fax: 314-622-4956

To the Dissemination Agent:

UMB Bank, N.A.  
Attn: Corporate Trust Department  
2 South Broadway, Suite 435  
St. Louis, Missouri 63102  
Telephone/Fax: 314-612-8480 / 314-612-8499

Any person may, by written notice to the other persons listed above, designate a different address or telephone number(s) to which subsequent notices or communications should be sent.

#### **SECTION 14: Beneficiaries.**

This Disclosure Agreement shall inure solely to the benefit of the City, the Trustee, the Dissemination Agent, the Participating Underwriters, and Bondholders and Beneficial Owners from time to time of the Series 2009 Bonds, and shall create no rights in any other person or entity.

#### **SECTION 15: Counterparts.**

This Disclosure Agreement may be executed in several counterparts, each of which shall be an original and all of which shall constitute but one and the same instrument.

#### **SECTION 16: Governing Law.**

This Disclosure Agreement shall be governed by and construed in accordance with the laws of the State of Missouri.

**SECTION 17: Severability.**

If any provision in this Disclosure Agreement shall be invalid, illegal or unenforceable, the validity, legality and enforceability of the remaining provisions shall not in any way be affected or impaired thereby.

**SECTION 18: Captions.**

The captions or headings in this Disclosure Agreement are for convenience only and in no way define, limit or describe the scope or intent of any provision or section of this Disclosure Agreement.

**SECTION 19: Electronic Means**

The transaction described herein may be conducted and related documents may be stored by electronic means. Copies, telecopies, facsimiles, electronic files and other reproductions of original executed documents shall be deemed to be authentic and valid counterparts of such original documents for all purposes, including the filing of any claim, action or suite in the appropriate court of law.

**THE CITY OF ST. LOUIS, MISSOURI**

[Seal]

By \_\_\_\_\_  
Mayor

By \_\_\_\_\_  
Comptroller

(SEAL)

ATTEST

\_\_\_\_\_  
Register

APPROVED AS TO FORM:

By \_\_\_\_\_  
City Counselor

[Continuing Disclosure Agreement]

**UMB BANK, N.A.**, as Dissemination Agent

By \_\_\_\_\_  
Authorized Officer

[Continuing Disclosure Agreement]

**EXHIBIT A**

NOTICE TO REPOSITORIES OF FAILURE TO FILE ANNUAL REPORT

**Name of Issuer:** The City of St. Louis, Missouri (the “City”)

**Name of Obligor:** The City of St. Louis, Missouri (the “City”)

**Name of Bond Issue:** Airport Revenue Bonds Series 2009A

**Date of Issuance:** July \_\_\_\_, 2009

**NOTICE IS HEREBY GIVEN** that the City has not provided an Annual Report with respect to the above-named Bonds as required by Section 3 of the Continuing Disclosure Agreement dated as of July 1, 2009, between the City and UMB Bank, N.A., as Dissemination Agent. The City has notified the Dissemination Agent that it anticipates that the Annual Report will be filed by \_\_\_\_\_.

**DATED:** \_\_\_\_\_

\_\_\_\_\_  
UMB BANK, N.A., as Dissemination Agent  
on behalf of The City of St. Louis, Missouri

\_\_\_\_\_  
cc: Comptroller, The City of St. Louis, Missouri  
City Counselor, The City of St. Louis, Missouri  
Treasurer, The City of St. Louis, Missouri

## **APPENDIX H**

### **The PFC Program**



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## THE PFC PROGRAM

*Termination of Authority to Impose and Use PFCs.* The FAA may terminate the City's authority to impose PFCs, subject to informal and formal procedural safeguards, if the FAA determines that (i) the City is in violation of certain provisions of the Noise Act (as defined herein) relating to airport noise and access restrictions, (ii) PFCs and investment income thereon are not being used for Approved PFC funding in accordance with the FAA's approvals or with the PFC Act and the PFC Regulations, (iii) implementation of projects financed with PFCs does not commence within the time periods specified in the PFC Act and the PFC Regulations or (iv) the City is otherwise in violation of the PFC Act, the PFC Regulations or the PFC Approvals.

*Informal Resolution Process for PFC Act Violations.* Pursuant to the provisions of the PFC Act, the PFC Regulations provide for an informal process for resolution of possible violations of the PFC Act, PFC Regulations or PFC Approvals. A public agency may also request that the FAA agree in the PFC approval to a specific, informal resolution process that the FAA will follow if it suspects the public agency has committed such a violation.

*Formal Termination Process for PFC Act Violations.* Pursuant to the PFC Regulations, formal termination proceedings are authorized only if the FAA determines that efforts to achieve an informal resolution are not successful. The formal termination process prescribed in the PFC Regulations is to be initiated upon the FAA's filing of a notice, followed by a 60-day period during which the City may submit further comments and take corrective action. The PFC Regulations provide that if corrective action is not taken as prescribed in the notice, the FAA is required to hold a public hearing at least 30 days after notifying the City and publishing a notice of the hearing in the Federal Register. After the public hearing, the City would have 10 days after receiving notice of the FAA's decision to advise the FAA in writing that it will complete any corrective action prescribed in the FAA's decision within 30 days or to provide the FAA with a list of Collecting Carriers, after which the FAA would notify the Collecting Carriers to terminate or to modify the PFC accordingly. The formal termination process would last at least 100 days.

*Noise Act Violations.* The City's authority to impose PFCs may be terminated if the City violates the provisions of the Noise Act. Although the procedures described above do not apply to alleged violations of the Noise Act, the Noise Act and FAA regulations thereunder provide procedural safeguards to ensure that the City's authority to impose PFCs at the Airport will not be summarily terminated because of violations of the Noise Act. In general, the City can prevent termination of its PFC Authority by suspending the effectiveness of any noise or access restriction in question, until the legal sufficiency of the restriction, and its impact on the City's authority to impose PFCs at the Airport, has been determined. The 2000 Approvals, as defined below, include findings by the FAA that the City has not been found to be in violation of the Noise Act and that the FAA is not aware of any proposal at the Airport that would be found to be in violation of the Noise Act.

*Treatment of PFCs in Air Carrier Bankruptcies.* The PFC Act was amended in 1996 to provide that PFCs that are held by a Collecting Carrier constitute a trust fund that is held for the beneficial interest of the eligible agency imposing the PFCs and that the Collecting Carrier holds neither legal nor equitable interest in the PFCs, except for any handling fee or retention of interest collected on unremitted proceeds. In addition, PFC Regulations require Collecting Carriers to account for PFC collections separately and to disclose the existence and amount of funds regarded as trust funds in financial statements. The Collecting Carriers, however, are permitted to commingle PFC collections with their other sources of revenue and are also entitled to retain interest earned on PFC collections until such PFCs must be remitted. Despite the language in the PFC Act, at least one bankruptcy court in an unpublished opinion has indicated that PFC revenues held by an air carrier in bankruptcy would not be treated as a trust fund and would instead be subject to the general claims of such air carrier's unsecured creditors. In an unpublished opinion rendered in the TWA bankruptcy, the Court entered a stipulated order on March 12, 2001 establishing a \$7.5 million PFC trust fund for the benefit of various airports to whom TWA was not current on PFC payments. At the time TWA filed its petition for reorganization, the Airport was owed approximately \$2 million in PFCs for the month of November 2000, which were payable by December 31, 2000. Pursuant to Court authorization, the Airport was paid all PFC amounts then due it on January 17, 2001. Thereafter, during the bankruptcy proceedings, TWA paid all PFC amounts due the Airport. There is no assurance as to which approach other bankruptcy courts will use in the future. In 2003 Congress added a provision (Section 124 of Pub. L. 108-176

(December 12, 2003)) that imposes additional requirements relating to PFC revenues on air carriers filing for bankruptcy after the date of enactment. These air carriers in bankruptcy would have to segregate PFC money so that the airport for which the PFC was collected would be assured of receiving its money should the airline go out of business during the interim period between the date that the PFC was collected and the time it was remitted to the airport. Such air carriers would not be required, however, to put that money in an escrow account.

### **The PFC Program at the City**

*City PFC Approvals.* The Airport has obtained the approval under six PFC applications (PFC #1, PFC #2, PFC #3, PFC #4, PFC #5 and PFC #6)--to impose and use PFCs (on both a pay-as-you-go and leveraged basis) for a variety of projects including the ongoing Part 150 Program, the new East Terminal, a number of smaller airfield and terminal projects and Phase 1 of the ADP. The Airport collected a total of \$31.4 million in PFC Revenues (including investment earnings) in the Fiscal Year ended June 30, 2004. The Airport has FAA approval to collect and use approximately \$1.3 billion in PFC Revenues through 2017. In September 2001, the Airport obtained approval to increase the PFC rate from \$3.00 per passenger to \$4.50. The \$4.50 rate has been collected since December 2001. In February 2003, the Airport submitted three amendment applications to reduce PFC funding for eight approved projects by approximately \$37.4 million and a new application for approximately \$14.5 million for three new projects. Together these applications will reduce the PFC collection authority by approximately \$22.9 million, which will change the end date for collection of PFCs to approximately March 2017.

As of November 30, 2002, the FAA had authorized the City to collect up to \$1.3 billion in PFCs, of which approximately \$306 million has been collected and expended. See **APPENDIX A - "Financial Feasibility Report"** for more information on the City's PFC authority.



